Visa International
Annual Report 2005



VISA INTERNATIONAL AND SUBSIDIARIES
ANNUAL REPORT
September 30, 2005

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Visa's vision is to be "the way the world pays."

We offer payments products and services that allow buyers and sellers to trade with choice, ease and confidence in both the physical and virtual worlds — anywhere, anytime and any way.

Our vision is grounded in a rich heritage of acceptance, convenience, flexibility and security — attributes that have characterized the Visa brand since its inception.



Letter to Members

Visa is both a trusted part of everyday life for over a billion cardholders around the world and a leading-edge company in one of the most dynamic sectors of the global economy.

Our growth reflects an organization with real momentum. In 2005, Retail Sales Volume (RSV) — Visa's key metric — grew 14%. Consumer credit volumes grew 10%, debit grew 16% and volumes on Visa's commercial platform grew 24%. The introduction of contactless payment and the rapid growth of prepaid products, mobile services, micro payments and micro credit were significant milestones in 2005 and underscore both the opportunities for the Visa brand and our commitment to support the provision of efficient electronic payments to the poor and unbanked.

This momentum is set to continue as technological developments allow us to leapfrog old barriers to card acceptance and open untapped markets. Business and government spending via card and non-card based electronic payment solutions has become more commonplace and Visa has already taken a leading role in both these areas.

Perhaps the most visible sign of our organization embracing the future is the new Visa brand launched in 2005. We kept our name and our blue, gold and white colors while creating a fresher more contemporary identity.

Our new brand architecture accommodates our expanding product range and new form factors as well as facilitating integration with new payment devices like mobile phones while underscoring Visa's evolution from a credit card association into the world's favorite electronic payments brand. At the same time we have incorporated new security features in the holo-magnetic stripe on the back of the card and given our members more real estate on the front of their cards.

As we grow our business around the world we are mindful of the need to make sure that our organizational structure and governance is also appropriate for the changing world in which we operate.

Recognizing the dynamic nature of our industry, the Visa International board and executive management team have, for the last 18 months, been conducting a thorough evaluation of what changes are necessary to ensure that the company is well placed for the future.

One outcome of this process, and a significant departure from the past, was the decision that all Visa legal entity boards should now include at least two independent directors. This is a significant step towards meeting the governance standards we believe appropriate even though we remain a privately held association. Visa USA has gone further and announced its intention to introduce a majority of independent directors in response to the particular requirements of the US market. All our legal entities are committed to producing publicly available annual reports with high levels of transparency and disclosure as befits a major global enterprise.

With the announcement of MasterCard's long anticipated IPO, we are reviewing the most appropriate future structure for the governance and operation of the Visa system.

We want to ensure we retain the essential elements of Visa's past success: strong local engagement with Visa financial institutions and merchants, unsurpassed acceptance and worldwide interoperability for Visa products, and global management of the Visa brand.

You can be assured that any changes made by the Visa International board will be consistent with maintaining Visa's leadership as the preferred electronic payments solution for all our key stakeholders.

In a high growth, fast-changing business environment, there are always challenges to confront. Data security is certainly one of them, and while we have always taken it very seriously, we recognize the need to raise our game in this very sensitive area.

In addition to making further investments within the Visa system we are initiating new approaches with our business partners and actively supporting cross-industry collaboration to deal with this growing global issue. We are strengthening enforcement of data security standards, supporting legislation to tackle identity theft and increasing investments around the world in anti-fraud initiatives.

Visa is determined to do all it can to secure the personal information and retain the confidence of consumers who have grown to rely on the convenience of electronic payments.

Together with our 20,000 members, Visa has built one of the most valuable and trusted brands and a global payments network relied upon by buyers and sellers all around the world. 2005 was a great year and we're working to ensure another successful year in 2006 and beyond.

Christopher J. Rodrigues
President and CEO
Visa International

William I. Campbell
Chairman
Visa International Board of Directors





2005

VISA INTERNATIONAL ANNUAL REPORT

BUSINESS

Visa Overview

Visa's history traces back to 1958, when Bank of America launched its blue, white and gold BankAmericard. In 1970, Bank of America transferred control and ownership of the BankAmericard program to the financial institutions that issued the card, forming National BankAmericard Inc. ("NBI"). The name Visa was introduced in 1976.

Today, the global Visa enterprise (hereafter referred to as "Visa") is one of the world's leading electronic payment organizations and is comprised of 20,000 financial institutions (hereafter referred to as members). Visa International Service Association (hereafter referred to as "Visa International," the "Company," "we," "us" or "our") is a privately held, nonstock, for-profit Delaware membership corporation and is one of several affiliated legal entities that form the global Visa enterprise.

Globally, the reach of Visa branded cards is vast. Total Card Sales Volume ("CSV") exceeded $3.7 trillion in fiscal 2005, representing a 14% increase over 2004. CSV represents total usage on Visa branded cards for goods and services and cash transactions (which include balance transfers and convenience checks). As of September 30, 2005, the total number of Visa cards in circulation was 1.3 billion, a 14% increase over 2004.

The global Visa enterprise includes four non-stock, separately incorporated companies: Visa International Service Association, Visa U.S.A. Inc., ("Visa U.S.A.") Visa Europe Limited ("Visa Europe") and Visa Canada Association ("Visa Canada"). These separately incorporated Visa regions ("incorporated regions") are group members of Visa International and separately report their financial results. There are also three unincorporated regions which are divisions of Visa International: Visa Asia Pacific ("Visa AP"), Visa Central and Eastern Europe, Middle East and Africa ("Visa CEMEA"), and Visa Latin America and Caribbean ("Visa LAC"). Visa Worldwide Services ("VWS"), the headquarters of Visa International, performs a number of global activities on behalf of all regions. In addition, the global Visa enterprise includes a processing subsidiary, Inovant LLC, which is owned 69% by Visa U.S.A., 10% by Visa Europe, 5% by Visa Canada and 16% by Visa International.

This report focuses on the activities of Visa International Service Association. Visa International oversees the operations of the Visa regions and provides global brand management, global product enhancements and interoperability standards, as well as corporate support and standards and global risk management oversight to all regions.

Membership and Structure

Visa is owned by financial institutions around the globe. These members are also the primary source of Visa revenues. Within the Visa framework, members perform two general functions, with many members performing both:

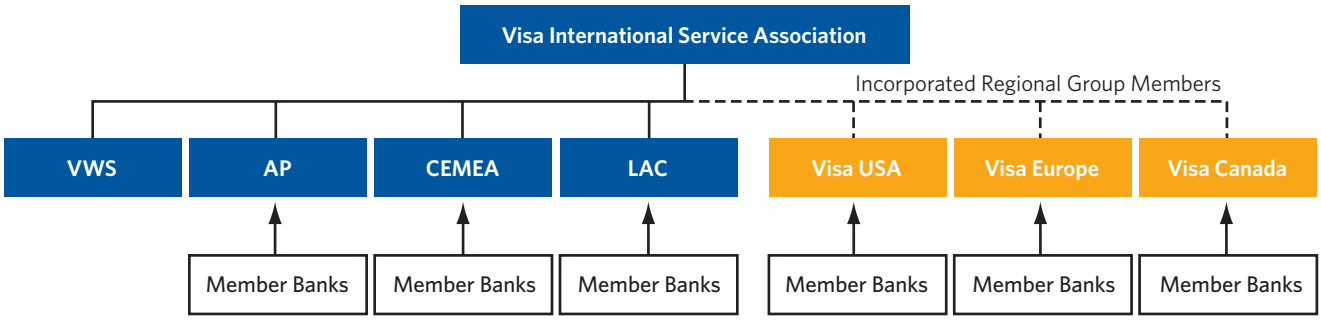
- Issuing Visa cards to their customers (referred to as an Issuer).
- Supporting and enabling merchants to accept Visa cards for payment (referred to as an Acquirer).

Visa serves as the nerve center connecting the issuing and acquiring sides of the business.

Visa has three basic levels of membership to meet the different needs of the variety of financial institutions: principal member, associate member and participant member. A principal member is the broadest level of membership. Principal members are individual financial institutions that may participate in the full range of membership functions such as soliciting cardholders and issuing cards, soliciting and signing merchants, and sponsoring other financial institutions for associate or participant membership. Principal members assume responsibility for sponsored members. Associate members may perform the functions of a principal member, except they may not sponsor other members. Participant members may only solicit cardholders and merchants; they may not issue cards. Sponsorship helps smaller organizations reduce the cost of a bankcard program by taking advantage of the sponsor's economies of scale, and principal members benefit from sponsorship by expanding their own programs.

In addition, Visa International has another class of membership comprised of regional group members — Visa U.S.A., Visa Canada and Visa Europe. Our regional group members are organizations whose entire membership consists of financial institutions that are collectively eligible for membership to Visa International.

Below is a graphic depiction of the Visa corporate and membership structure.



Despite its global reach, Visa remains very much a localized organization, with all regions having a high degree of operating and marketing autonomy. The reason behind this is simple: regional organizations are closest to their local markets, and they know best how to help members serve their customers. This structure is one of the fundamental strategies that contribute to Visa's success.

Each Visa region is governed by its own Board of Directors. A regional president leads the day-to-day operations and reports to the respective Regional Board on significant business issues. The Visa International Board of Directors has ultimate responsibility for governing enterprise-wide matters and consists of representatives from the six Regional Boards.

Visa enhances the competitiveness and profitability of its members by playing a pivotal role in developing and supporting innovative payment products and services that members can then offer to their cardholders and merchants. Visa also provides its members with nonstop operation of one of the world's largest and most sophisticated payment processing systems. In return, Visa derives the majority of its revenue from service fees, international service revenues and data processing fees. Service fees are paid quarterly by members based upon their utilization of Visa branded products in the preceding quarter as measured by Card Sales Volume. International service revenues are paid by members for cross-border transactions in which the issuer country is different from the merchant country. Data processing fees are charged to members and third parties for providing transaction authorization and clearing and settlement services that facilitate transaction processing, information flow and monetary transfers among members.

Brand and Marketing

Visa is one of the world's most trusted and recognized brands. For merchants, the Visa brand represents timely and guaranteed payment, as well as a way to grow their business profitably. For members, the Visa brand helps drive purchase volume and card issuance while complementing and enhancing the value of their own brands. For cardholders, the brand is a symbol of security and convenience.

As consumers and merchants increasingly expect to be able to make payment anytime and anywhere, using any device, the power and reach of the Visa brand will be vitally important to the organization's future success. In September 2005, Visa introduced a global revitalization to its brand architecture to ensure that the brand works effectively across new technologies and payment channels both now and in the future.

Visa's approach to brand management combines advertising, sponsorships, promotions and public relations, all of which are designed to drive active preference for Visa branded products and increase usage, retention and member profitability. Advertising plays a critical role in reinforcing Visa's brand leadership, driving brand imagery and personality and communicating the benefits of Visa's brand and products. Visa also encourages card usage and loyalty through sponsorship and by forming marketing relationships with organizations that share Visa's commitment to creating value and service. Through these relationships, Visa is able to enhance member profitability by reinforcing the recognition that Visa is the world's best way to pay.

The Olympic Games is an example of this type of relationship. A Visa sponsorship platform for twenty years, the Olympic Games delivers international exposure, broad-based audience appeal and a range of events appealing to virtually every demographic. It also offers excellent marketing tie-ins for Visa's 20,000 member banks and significant opportunities for international exposure and image enhancement. Visa's commitment to the Olympic Games extends through the 2012 London Olympic Games and includes Torino 2006, Beijing 2008 and Vancouver 2010.

Visa Products

Overview — Visa is committed to ensuring secure, reliable payments that provide both buyers and sellers with more choice, convenience and control.

Visa offers, through its members, a wide variety of Visa branded products that provide cardholders with choice in the way they pay — using credit ("pay later"), debit ("pay now") or prepaid ("pay before") methods. Visa also supports a number of niche product platforms to address specific customer segments and regional market situations. However, Visa does not directly issue payment cards, nor does it set related fees or determine the interest rates consumers will be charged on Visa branded cards. Issuing members have the responsibility for determining these and most other competitive card features.

Consumer payment products — Leading consumer products include Visa Classic, Visa Gold and Visa Platinum. Two "super premium" Visa products, Visa Signature and Visa Infinite, are also offered in certain regions. Additionally, through Visa Electron, Visa enables members to offer debit and credit cards to consumers without proven banking relationships. And the Visa PLUS platform provides cash access through the Visa/PLUS global ATM network for any type of Visa branded card. Prepaid products extend the power of Visa to the gift card market, and allow Visa to reach unbanked populations through teen cards, payroll cards and remittance cards.

Commercial payment products — Visa's global commercial products are offered to businesses and governments and include Visa Corporate, Visa Purchasing, Visa Business, Visa Commercial, Visa Business Electron and Visa Distribution. These products enable organizations to better manage cash flow through features such as streamlining the procurement process, monitoring travel, entertainment and administrative expenses, enhancing reporting of spend data, facilitating management of supplier relationships and improving visibility into payment timing.

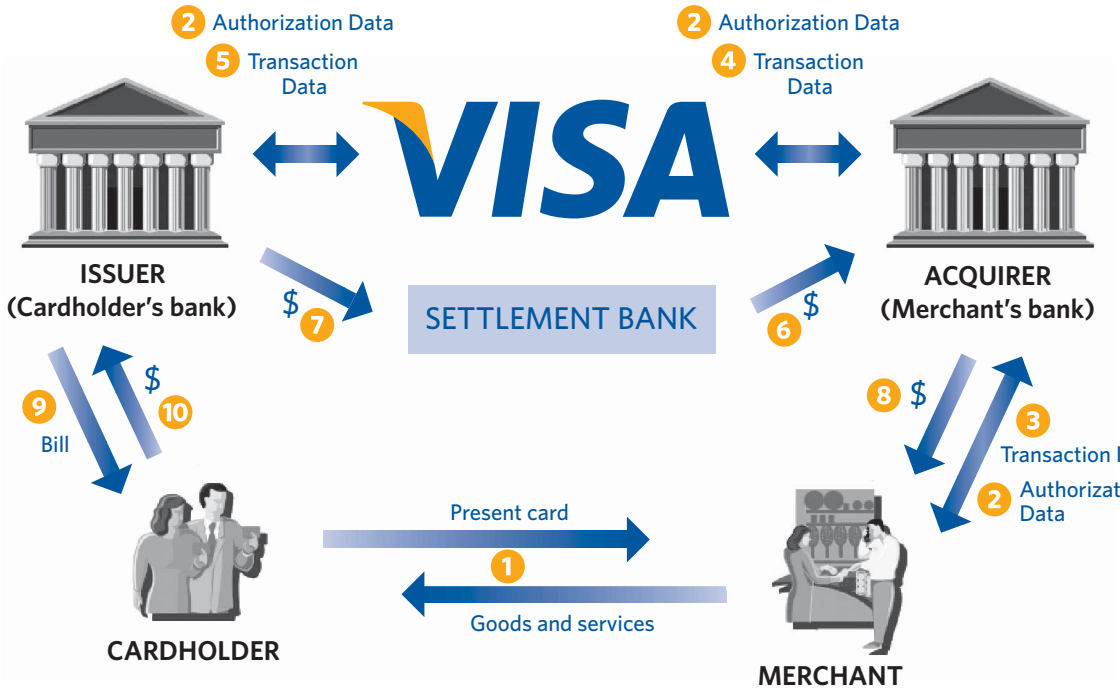
Emerging technologies — With the development of innovative new technologies, Visa continues to expand the value and functionality of its core product platforms. For example, Visa is supporting a move to more versatile and secure forms of payment, such as chip-enabled smart cards that encrypt confidential information like account data and contactless cards that allow a cardholder to complete a transaction without the need to manually swipe or insert a card through a point-of-sale device.

Product risk management — Visa provides an integrated suite of risk management programs and technology-based tools designed to prevent, identify and control fraudulent activity at the cardholder and merchant level. These programs are designed to support the activities of issuing and acquiring members, and include card technology research and development, manufacturing security standards, card and travelers cheque investigations, and counterfeit card recovery. The "Verified by Visa" program reduces the potential for unauthorized use of a card on the Internet, and increases consumer confidence in online shopping.

Transaction Processing

Visa operates one of the world's most comprehensive and reliable electronic payment processing system. This system involves four participants in addition to Visa: a cardholder, a merchant, the merchant's bank (the acquirer) and the cardholder's bank (the issuer). The proprietary network, known as VisaNet, links acquirers and issuers for transaction processing and enables Visa cardholders to use their cards at millions of merchants worldwide.

VisaNet stress tests have indicated that the system is capable of processing more than 10,000 transaction messages per second. Transaction processing services, which are available 24x7, include point-of-sale or ATM contact, Visa cardholder authentication, fraud risk analysis, transaction approval, and the clearance and settlement of funds. Transaction processing systems have redundant power supplies, communication links and backup processes designed to ensure continuous operation. Below is a chart depicting the flow of a typical U.S. dollar transaction:



1. *The cardholder purchases goods or services from the merchant with a Visa card.*
2. *Before the purchase is finalized, the merchant provides the transaction information to the acquiring bank. The acquiring bank submits a message through VisaNet to request authorization from the issuing bank. The issuing bank responds with an authorization approval message to the acquiring bank through VisaNet. In some instances, if the issuing bank is unavailable, Visa provides stand-in authorization.*
3. *A clearing record of the transaction (electronic or paper request for payment) is passed by the merchant to the acquiring bank, usually same day or next day.*
4. *The acquiring bank initiates a second message to pass the transaction clearing record to Visa and to request payment.*
5. *Overnight, Visa processes the transaction information in the second message to prepare for financial settlement with the issuing and acquiring institutions. That day, Visa forwards the transaction clearing record to the issuing bank to request payment.*
6. *Visa sends the funds to the acquiring bank, typically the day after submission.*
7. *The issuing bank sends funds to Visa's settlement bank, typically on the same day as Visa sends funds to the acquiring bank.*
8. *The acquiring bank pays the merchant for the purchase.*
9. *At the end of each billing cycle the cardholder receives a statement and a bill from the issuing bank.*
10. *The cardholder pays all or a portion of the bill.*

Global Performance Metrics

The selected global statistical information set forth below is related to the global Visa enterprise performance for each of the years in the five-year period ended June 30, 2005. Most of the statistical information is based on operating certificates compiled and reported by Visa's members and is unaudited. Data accumulated from members over the twelve-month period ended June 30 is used as the basis for recording service fee revenue during the fiscal years ending September 30. For purposes of the table, Card Sales Volume represents Retail Sales Volume plus cash volume and includes the impact of balance transfers and convenience checks, but excludes certain emerging market domestic volume. The number of cards in circulation excludes proprietary PLUS and Interlink-branded cards. The statistical data consists of both credit programs and debit programs.

The statistical information denominated in U.S. dollars is calculated by applying an established U.S. dollar/local currency exchange rate for each local currency in which Visa volumes are reported. For fiscal year 2005, these exchange rates are calculated on a quarterly basis. In order to minimize the effect of fluctuating exchange rates among currencies, statistics reported in U.S. dollars for fiscal years prior to 2005 have been converted at the fiscal 2005 exchange rates.

	2005	2004	2003	2002	2001
Retail Sales Volume ($ in trillions)[1]	$2.4	$2.2	$1.9	$1.7	$1.5
Cash volume ($ in trillions)[2]	1.3	1.1	1.0	0.9	0.8
Total Card Sales Volume ($ in trillions)[3]	$3.7	$3.3	$2.9	$2.6	$2.3
Total transaction volume (billions)[4]	47.5	41.5	36.4	32.3	28.1
Number of cards in circulation (millions)[5]	1,306	1,144	1,025	942	840
Share of Personal Consumption Expenditures[6]	8.6%	8.3%	8.1%	8.1%	7.5%

[1] *Retail Sales Volume measures the total monetary value of transactions for goods and services purchased (excluding cash volume) initiated with Visa products as reported by members globally.*

[2] *Cash volume measures the total monetary value of cash transactions initiated with Visa products (including Visa Electron) as reported by members globally.*

[3] *Total Card Sales Volume represents the total of Retail Sales Volume and cash volume transactions.*

[4] *Total transaction volume represents the total number of transactions initiated with Visa products as reported by members globally.*

[5] *Number of cards in circulation represents the total number of Visa cards issued as reported by the members globally.*

[6] *Personal Consumption Expenditures ("PCE") represents the market value of all goods and services purchased by households and non-profit institutions, excluding the purchase of homes, as reported by Global Insight.*

Visa measures success by its percentage of worldwide Personal Consumption Expenditures ("PCE"). Today, worldwide PCE is valued at $25.7 trillion and is comprised primarily of cash and checks. Visa increased its share of worldwide PCE from 7.5% in 2001 to 8.6% in 2005, demonstrating continued consumer preference to use Visa products as a convenient and flexible alternative to cash and checks. A key driver of Visa's share of PCE growth is the continued expansion of our global acceptance network. This expansion results from the growing number of cards issued, the growing acceptance of Visa at new merchant locations, strong growth in the e-commerce sector and the ongoing expansion of the Visa/PLUS ATM network.

2005 Business Highlights

The sections that follow provide an overview of some of Visa International's (Visa AP, Visa CEMEA, Visa LAC and Visa Worldwide Services) accomplishments in 2005.

Visa AP

Regional Progress

Asia Pacific is a large and highly diverse region, with a combination of developed and emerging economies in which the payments industry is at varying levels of maturity. In markets such as Australia, Hong Kong, Singapore and Taiwan, electronic payments already account for a high proportion of PCE compared to many other countries. As a result, Visa and its member institutions are focusing on extending card usage. In contrast, the Asia Pacific region also includes large emerging markets like China and India, where the challenge is to ensure that each rapidly developing local payments industry embraces the latest technology.

During 2005, overall Retail Sales Volume grew by 14%. This growth was led by Korea, which was up 18% and became the region's first market to exceed annual volume of $100 billion. Japan grew significantly, at 11%, reflecting the industry's response to the gradual economic recovery. In China, where Visa and other international brands are currently precluded from domestic issuance, Visa grew nearly 150%, and India also maintained its fast-track growth — up 66%.

Visa AP grew its network of offices in the region, opening new sites in Mumbai, India and Ho Chi Minh City, Vietnam. More offices will open shortly in Karachi, Pakistan and Auckland, New Zealand to ensure that Visa continues to serve both its member institutions and the broader stakeholder network through management teams that are close to local markets.

Market Spotlight

China is fueling a significant part of the world's economic growth, but it is not the region's only growth engine. Many forecasters are suggesting that India's population growth, combined with its technological capabilities, will enable its GDP to exceed that of China toward the middle of the century. Visa AP has therefore begun to prepare the payments infrastructure for a time when the region will contain three of the world's top economies.

Product Base

Unlike the global organization, where debit now accounts for more than half of total Card Sales Volume, credit remains the focal point of Visa's business in Asia Pacific. However, during the year, the region started to expand its debit volume, with a number of new issuers and debit volume growing nearly twice as fast as credit. Likewise, growth in commercial card sales volume is also starting to reflect the increased investment of recent years, with a sharp increase in new mandates and growth exceeding the regional average.

New Technologies

Asia Pacific markets include some of the most active technology users and developers in the world. Japan is a well-established technology leader; Korea is where many Visa innovations are launched; China has more mobile phone users than there are people in the U.S.; and, in India, local companies are producing affordable 'leapfrog' innovations that are likely to enable the local payments industry to develop quicker than markets with established infrastructure.

A number of regional Visa product initiatives were introduced during the financial year, including a contact/contactless EMV chip capability that was launched in Taiwan, Malaysia and Korea; mobile-to-mobile payments in India; voice-activated Verified by Visa in Thailand; short messaging service over mobile phones for debit transactions in Korea; and card-to-card transfers in India.

The region continues to make progress in establishing chip issuance and acceptance, most notably in Malaysia, which completes 80% of domestic transactions with a chip card and terminal. Japan and Taiwan are also beginning to implement national chip migration plans.

Reputation

Visa AP invests heavily in the Visa brand and tracks consumer attitudes regularly. Visa market share in the region stands at 74%, while the measure of "Best Overall Card" rates Visa at a record high of 64%.

Visa AP takes the issue of payment security very seriously and our reputation continues to be a top priority for the region. Maintaining the confidence of cardholders and merchants is the essence of the Visa brand promise. At a time when data security is achieving a bigger public profile, the region has managed fraud levels down to just 0.03% of total Card Sales Volume this year.

Current Challenges

If Visa and its member institutions are to continue to develop the electronic payments industry across the region, it is essential that a wider range of stakeholders recognize and value the benefits of a modern payments system. This includes awareness of the contribution that Visa makes to the system, as well as the capabilities that the system brings to local economies.

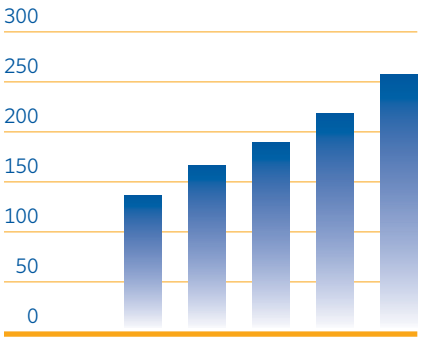
For this reason, reputation management activities have been established, each tailored to local markets but all containing common leadership themes. These activities have been attached to tourism, security, new technologies, financial literacy and economic contribution. The region has generated a series of original publications, drawing on Visa data and commissioned research in order to increase understanding of the industry and facilitate informed decision making on the key issues that will frame its future operating environment.

Future Growth

Having established strong momentum in developing brand preference, market share, emerging technologies, new products and overall business growth, Visa AP is now committed to immediate opportunities, as well as securing the investments needed for the future. In recent months, as the region considers the most effective means of ensuring sustained and rapid growth, the Visa AP Board has endorsed a plan to expand its regional presence.

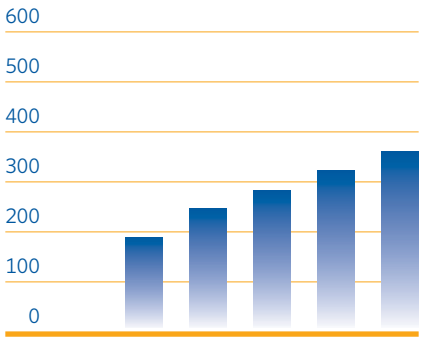
The following charts illustrate the region's key metrics:

Visa AP Cards
(in millions)



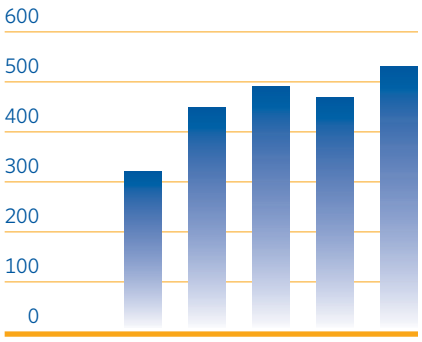
Year-over-Year Growth (%):	'01	'02	'03	'04	'05
	24	23	13	14	17

Visa AP Retail Sales Volume
($ in billions)



Year-over-Year Growth (%):	'01	'02	'03	'04	'05
	27	31	15	10	14

Visa AP Card Sales Volume
($ in billions)



Year-over-Year Growth (%):	'01	'02	'03	'04	'05
	48	42	12	–4	12

Visa CEMEA

Regional Progress

Visa CEMEA represents the fastest growing region for Visa. During 2005, overall Retail Sales Volume (RSV) grew by 33%. This was largely due to strong results from South Africa, which was up 39% and accounted for more than a third of the region's total RSV, and Russia, which was up 50% and now accounts for 10% of the region's RSV. Key contributors include Saudi Arabia (15%), Kuwait (12%) and the United Arab Emirates (11%).

Looking ahead, Visa's goal is to double point-of-sale usage in the CEMEA region over the next three years.

Product Base

Visa CEMEA's strategy for achieving continued growth includes the broadening of existing product offerings and further market diversification. In both areas, Visa is already making progress.

During 2005, Visa entered 12 new CEMEA markets including Nigeria, Libya, Cape Verde Islands and Rwanda. Visa CEMEA also explored several new lines of business, including money transfers. As a result, Visa developed and piloted interoperable solutions that give CEMEA member institutions the ability to acquire new customers and increase revenues.

At the same time, Visa CEMEA has worked to reduce the proportion of cash used at the point-of-sale, a payment method that currently represents 83% of the region's PCE. Through salary card programs, Visa CEMEA has helped to introduce bank accounts to consumers that had previously relied solely on cash. These efforts have been instrumental in bringing people into the banking systems of Russia and the Commonwealth of Independent States. Additional salary card programs are planned for Egypt and the UAE. In South Africa, four banks recently introduced 'Mzansi' accounts — linked to Visa Electron cards — for the country's unbanked population.

Visa CEMEA is augmenting its card offerings by reaching out toward the commercial sector. Over the next few years Visa expects its commercial product base to grow significantly in the region.

New Technologies

Payment products and services that use new technological approaches like mobile commerce and chip technology offer considerable potential for CEMEA. In Russia, the national savings bank has become the first in the world to enable Visa cardholders to make payments through their mobile telephone, using Verified by Visa authentication. Similar Visa mobile commerce programs are also underway in Jordan, Serbia, Montenegro, Morocco, Botswana, South Africa and Macedonia.

Visa CEMEA is looking to invest in wireless point-of-sale as a tool for businesses located in countries with unreliable landline telecommunications. This year, Visa CEMEA plans to introduce wireless terminals in six markets across the region. This will allow Visa merchants to use mobile telephony to wirelessly connect their payment terminals to their acquiring banks.

Another technology, and one that is currently being well received by Visa's CEMEA member institutions, is EMV chip. In Kosovo, Serbia, Montenegro and Albania, several new Visa issuers went straight to chip technology. And in Bulgaria one Visa member has become the first in the world to be certified for Common Core Definitions (a common specification for transaction data flowing from the chip card to the issuing bank). By the end of August 2005, there were 2.6 million Visa EMV cards across the CEMEA region, and nearly half the region's terminals are now chip-capable.

Reputation

An increase in credit card volume is often viewed with caution by regional governments and regulators. Visa CEMEA recognizes this concern and is currently trying to communicate the major benefits that credit can bring to consumers and economies alike. Consequently, Visa CEMEA has launched numerous financial literacy programs in Russia, the Middle East

and South Africa. Visa has been encouraging the establishment of credit bureaus to enable banks to lend only to those who have established their ability to manage credit responsibly.

In South Africa, Visa CEMEA demonstrated corporate responsibility through the sponsorship of the Nelson Mandela Golf Day, which was arranged to support a project for combating AIDS in sub-Saharan Africa.

Current Challenges

While CEMEA represents huge opportunities for Visa, it also presents some significant challenges. The region contains 84 countries, covers 11 time zones and has over 100 official languages. It occupies 40% of the world's land mass and contains 25% of the world's population, and yet it only accounts for 5% of global GDP. In other words, CEMEA is large, populous and, to a great extent, poor.

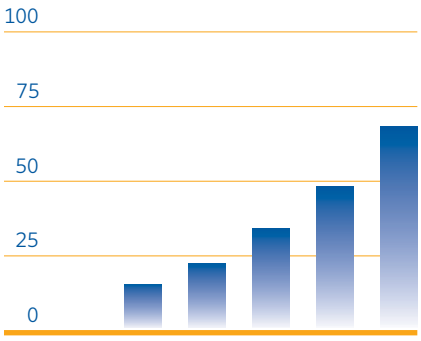
Providing specific, focused services to such disparate markets is one of Visa's greatest challenges. It has therefore been important to place staff throughout the region, so that they are intimate with the linguistic, regulatory and cultural environment in which Visa members operate. As part of this strategy, Visa CEMEA opened offices in Moscow (Russia), Johannesburg (South Africa) and Dubai (United Arab Emirates), and outposts in Amman (Jordan), Riyadh (Saudi Arabia), Cairo (Egypt) and Kiev (Ukraine). These offices have expanded over the past year as local staffs were recruited and others transferred from London (United Kingdom). Over the next few years, Visa CEMEA intends to have 50% of its staff based in close proximity to members, with 50% remaining in London to provide core services.

Future Growth

CEMEA is a diverse region — socially, economically and technologically. The needs of Visa CEMEA member institutions are similarly diverse, dependent on their size and sophistication. At the same time, Visa CEMEA has to contend with the fast-changing political and business environments of the region. However, CEMEA is an area characterized by enthusiasm, excitement and, in terms of electronic payments, immense potential for further growth. It is Visa's goal to capitalize on the potential for growth by working closely with member institutions to develop imaginative solutions that meet customer needs — both now and in the future.

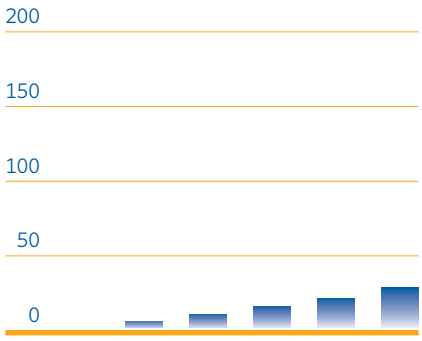
The following charts illustrate the region's key metrics:

Visa CEMEA Cards
(in millions)



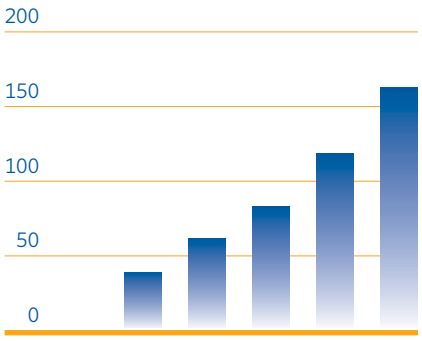
Year-over-Year Growth (%):	'01	'02	'03	'04	'05
	55	60	42	45	42

Visa CEMEA Retail Sales Volume
($ in billions)



Year-over-Year Growth (%):	'01	'02	'03	'04	'05
	28	30	38	36	33

Visa CEMEA Card Sales Volume
($ in billions)



Year-over-Year Growth (%):	'01	'02	'03	'04	'05
	41	45	43	38	36

Note: In 2005, eight markets transferred from Visa CEMEA to Visa Europe. For comparability, the historic data for these eight markets have been removed from the charts.

Visa LAC

Regional Progress

Visa LAC experienced significant growth in 2005, thanks in most part to business generated from Brazil and Mexico — which together represented 70% of total Retail Sales Volume (RSV) growth.

RSV growth in 2005 was supported by increased card issuance and the expansion of pan-regional acceptance and merchant segments. In addition, educational programs and media campaigns, as well as a variety of other consulting engagements, helped increase card activation and usage.

International acquiring volumes grew 24%, due largely to tourism. Visa's tourism efforts this year included the launch of a strategic alliance with Virtuoso (a world leader in luxury travel) to offer upscale Visa card users access to more than 700 travel operators across 70 countries. Additionally, Visa developed more than one hundred tailor-made travel offers exclusive to Visa Infinite, Visa Signature and Visa Platinum cardholders.

Product Base

Visa LAC has made good progress in increasing point-of-sale volume for both credit and debit, and has also increased usage for its commercial products.

A large portion of 2005 credit growth was driven by the expansion of Visa Platinum across 20 Visa LAC markets. Visa launched Visa Signature, Visa's first card program with no preset spending limit in the region. Visa also placed an emphasis on developing entry-level products that help bring more unbanked consumers into the formal economy. As a first step, Visa initiated R&D support, customer segmentation, marketing and best practices in risk management. This has resulted in prepaid volume growth from products like travel cards, gift cards and benefits cards.

The continued expansion of Visa Giro money transfer programs, and the implementation of remittance services on Visa cards, has also led to many new programs in the region. But it is Visa Vale — the region's unique acceptance product — that has driven the most growth. Originally developed exclusively for the Brazilian market, Visa Vale is now in the process of being launched throughout LAC.

Visa's commercial solutions serve many of LAC's small and medium businesses. Through close relationships with the Brazilian System for Small Business Support (SEBRAE), the Secretary of Economy in Mexico and new government programs in Argentina and the Dominican Republic, more than 20% of the region's Fortune 500 companies currently use Visa corporate products. In fact, the commercial segment was the fastest growing segment in the region, experiencing 52% growth in 2005.

Visa bolstered various tools and services such as "Member Profile," the latest offering from Visa's set of web-based tools that provide member institutions with information for timely business decisions on licensing, product definition, BIN relationships and management.

New Technologies

Emerging technologies and new channels represent an enormous opportunity for Visa LAC. Visa is well established in e-commerce and online payments in the region. Throughout 2005, Visa continued to advocate Verified by Visa, increasing implementation to approximately 66 member institutions. Visa also led the way in mobile 'top-up' programs in Brazil, Colombia, Peru and Guatemala, tapping a significant opportunity.

At the same time, Visa LAC made good progress with chip technology, and this year increased cumulative issuance to more than 10 million smart cards. Chip enabled cards now represent 20% of all Visa credit cards in the region. This growth is supported by more than 450,000 locations now accepting EMV transactions.

Furthering the adoption of smart card products was the launch of Visa smart debit and credit programs in five new markets — Chile, El Salvador, Costa Rica, Venezuela and Paraguay. These countries join Brazil, Mexico, Peru and Guatemala, which have been rolling out programs since 2004.

Visa also launched instant reward programs and smart card based Biometric authentication programs, and rolled out Visa Vale Refeição in Brazil, which uses EMV offline capabilities to authorize transactions offline.

Reputation

Visa LAC continues to support the Visa brand through both pan-regional and local efforts with more than 55% of LAC cardholders reporting Visa as the best card available.

Visa strengthened relationships and generated improved understanding of the value of the payments systems within its LAC stakeholder network. Most notably, Visa provided government support in Mexico, Colombia and Brazil, and continues to conduct internal and external training for regional employees and member institutions.

As part of its reputation and social responsibility efforts, Visa LAC launched a financial literacy program, called Finanzas Practicas, in Mexico, Brazil and Colombia. The website (www.finanzaspracticas.com) is the first step toward a broad program that will enhance consumer understanding and encourage the responsible management of personal finances.

Current Challenges

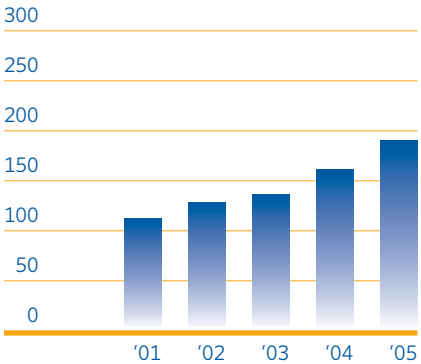
In a region as diverse as LAC, there are numerous challenges that can impact Visa's leadership position. Most important is the management of resource allocation, given the inherent economic and political volatility within the region. Other areas of concern include competitive differentiation from alternate global and private label brands, and potential regulatory activity.

Future Growth

There are significant opportunities that will continue to fuel future growth, including the increased use of debit as a replacement to cash; continued development and issuance of entry-level products to unbanked segments; remittance initiatives; further segmentation of the credit card consumer base; and the delivery of more localized offers.

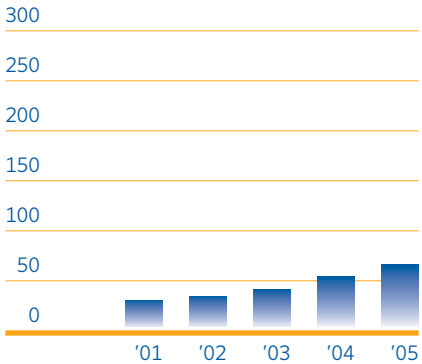
The following charts illustrate the region's key metrics:

Visa LAC Cards
(in millions)



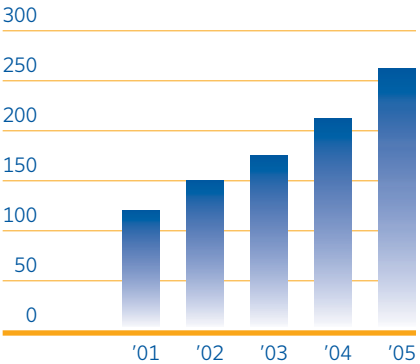
Year-over-Year Growth (%):	'01	'02	'03	'04	'05
	9	14	7	14	23

Visa LAC Retail Sales Volume
($ in billions)



Year-over-Year Growth (%):	'01	'02	'03	'04	'05
	23	18	23	23	30

Visa LAC Card Sales Volume
($ in billions)



Year-over-Year Growth (%):	'01	'02	'03	'04	'05
	30	24	18	20	22

Visa Worldwide Services (VWS)

Visa is built on a unique organizational structure that balances local and global efforts. This highly decentralized model allows Visa to meet the needs of diverse markets, while retaining global consistency and interoperability. Visa member financial institutions, cardholders and merchants all benefit from this mix of global function and local expertise.

VWS has the responsibility for global strategy and coordination. VWS performs a number of activities on behalf of Visa's six regions (Visa U.S.A., Visa Europe, Visa Canada, Visa AP, Visa CEMEA and Visa LAC), including global settlement, brand management, sponsorships and partnerships, product platform development and enhancement, global risk management, and technology management. It also has Audit, Finance, Human Resources and Legal functions.

In 2005, the VWS organization focused on the following key priorities:

Product Management

VWS reviewed major consumer and commercial product opportunities and strategies, and the implications for Visa. New strategic frameworks were approved for prepaid and commercial products. VWS also reviewed and refined its approach to innovation and identified Authentication, Mobile and Security as areas of focus for the future.

Country Strategies

VWS performed a review of priority markets to identify common themes and best practices to help accelerate growth. As a result, twelve key country strategies were refreshed and aligned in conjunction with Visa regions.

Visa Systems

In order to respond to member requirements and take advantage of advanced technologies, VWS continues to upgrade systems infrastructure. This included the introduction of Visa Extended Access, the next generation gateway to VisaNet for members and merchants. Visa Extended Access is being introduced to all regions outside the U.S., where Visa Direct Exchange has already replaced the legacy access point infrastructure. This will allow a consolidation of connections into VisaNet, bringing lower telecommunications costs, simplicity and flexibility to adopt new technologies that help meet market demands.

Reputation Management

A reputation management program was implemented across major markets, focusing on communicating the value of Visa and electronic payments to all Visa stakeholders. At a global level, Visa partnered with the United Nations in support of the UN Year of Microcredit and also became the first private sector organization to contribute to the IFC's Global Credit Bureau Program. This initiative supports the development of credit bureaus in emerging and developing countries to help extend the efficiencies of electronic payments and to enhance transparency, increased capital and bring more consumers into the banking system.

Brand Architecture

In 2005, Visa launched its updated brand architecture and visual identity, strengthening its brand leadership in the payments industry. The evolved brand encompasses a growing choice of payment products and services and facilitates growth while retaining the core brand attributes of acceptance, convenience, flexibility and security.

Top Team

Visa has implemented worldwide management succession plans to safeguard business-critical capabilities, and instituted a coordinated annual senior management strategy session across all regions and functions.

Major Customers

Visa International's customers consist of the Company's member financial institutions and the separately incorporated regional group members (Visa U.S.A., Visa Europe and Visa Canada). Aside from Visa U.S.A. and Visa Europe, which represented 35.9% and 35.5%, respectively, no other member accounted for more than 10% of the Company's total Card Sales Volume in 2005.

Intellectual Property

Visa International owns the intellectual property rights to various registered trademarks which are used to identify Visa programs, including Visa, Visa Electron, Visa Horizon, Visa Cash, Visa TravelMoney, Verified by Visa and PLUS programs. The Company's trademark portfolio consists of over 5,100 trademark applications and registrations in over 180 countries. Visa International licenses the right to utilize the trademarks to members in conjunction with the applicable Visa programs. Visa International owns intellectual property rights related to a proprietary transaction authorization and settlement system which is maintained and operated by an affiliate of the Company. The Company also owns several patents and patent applications in various countries relating to transaction processing and approval, smart card technology, fraud mitigation technology, electronic commerce and other technologies.

Membership

Membership in the global system is generally open only to banks and other deposit-taking institutions organized under local banking laws. Applicants for membership are screened to ensure that they meet eligibility standards defined in our By-Laws. The Visa International Operating Regulations specify the minimum standards by which members must comply when operating and participating in the Association. The regulations specify the general rules, dispute resolution efforts, and card and marks usage requirements.

Member Settlement Risk

Each member is responsible for fulfilling their settlement obligations with other members. Under its corporate By-Laws, and subject to compliance with Visa International rules, the Company indemnifies a member for any loss suffered due to the failure of any other member to honor drafts, travelers cheques or other instruments processed in accordance with the Company's Operating Regulations. To manage the exposure under this indemnification and the resulting risk to all members, the Company has defined credit standards and risk control measures administered by all regions. There are also standards for calculating exposure for resolution of member failure losses which are documented in the member risk policy.

The member risk policy establishes guidelines for operating the member risk function on a decentralized basis. Under this approach, regional staff are responsible for evaluating applicants and members and implementing appropriate risk control measures. Adherence to the policy is monitored by the member risk department of VWS, and audits are conducted by internal audit staff.

The member risk policy addresses responsibilities, reporting requirements, financial liabilities, credit evaluation processes and risk control measures. It also requires an evaluation of every applicant and member relative to the standards governing the following two areas of risk: i) Country risk: the risk that a member is unable to settle because of restrictions (e.g., foreign exchange controls) imposed by a country, and ii) Institutional risk: the risk that a member is unable to meet its settlement obligations to other members due to its own financial condition. All members with significant exposure are assessed at least annually to distinguish between acceptable and unacceptable risks.

If a member fails to meet any of the acceptable standards as established by the member risk policy, non-complying members are subject to appropriate risk control measures. Potential risk control measures include, but are not limited to, program restrictions, collateralization, trust arrangements and program termination.

Competition

Visa competes in the global payment marketplace against a wide variety of competitors. Competition is especially robust within the general purpose card category (credit, debit and prepaid payment). Visa competes with MasterCard, American Express, Diners Club, Discover (principally in the U.S.) and JCB (principally in the AP region). In select geographic markets Visa encounters competition from local debit networks, and from retail stores and petroleum companies that issue their own payment cards. Visa competes worldwide against paper-based transactions (principally cash and checks) and electronic transactions such as wire transfers and Automated Clearing House ("ACH") payments. These forms of payment capture the largest overall percentage of worldwide transaction volume.

Visa also competes against companies that are developing and implementing alternative payment systems. In the electronic commerce environment, competitors may offer direct debit to a checking account, services that provide for payments through proprietary accounts, or Internet currencies that can be used to buy goods and services on-line. In mobile commerce, network operators may be in a position to enable mobile devices to process electronic payments, and to leverage their existing billing systems to process these payments between their customers and third parties. Other organizations are attempting to utilize new technologies and business models to expand into areas Visa has targeted for growth.

Employees

Management believes that one of the strengths and principal reasons for the success of Visa International is the quality and dedication of its people and the shared sense of being part of a team. We strive to maintain a work environment that fosters integrity, excellence, diversity, empowerment and teamwork among our employees. We believe that our ability to attract and retain qualified employees is an important factor in our growth, development and future success. To date, we have been successful in recruiting and retaining sufficient numbers of qualified personnel to conduct business.

Properties

At September 30, 2005, Visa International owned or leased 39 properties throughout the world. The Company's corporate headquarters are in the San Francisco Bay Area and consist of four buildings that are occupied jointly with Visa U.S.A. Visa International owns two of the shared facilities directly and jointly owns the other two facilities through real estate joint ventures with Visa U.S.A. Refer to Note 10 to the consolidated financial statements included herein. Visa International occupied approximately 200,000 square feet or 21% of available square footage in these shared premises during fiscal 2005. The CEMEA region occupies approximately 37,000 square feet of a building in London, England, which is leased from Visa Europe. Other properties, most of which are leased, are located in the United States and 25 other countries. These facilities consist of regional headquarters and sales offices and comprise approximately 460,000 square feet. The Company believes that these facilities are adequate to support current business needs. Based upon periodic reviews of space requirements, the Company may acquire new space, consolidate or dispose of facilities that are no longer necessary to meet the needs of the business.

Legal Proceedings

Refer to Note 22 to the consolidated financial statements included herein for a discussion of the Company's material legal proceedings.

Executive Officers

The following table sets forth information regarding Visa International's executive officers:

Name	Position with the Company
Christopher Rodrigues	President and Chief Executive Officer, Visa International
Anne Cobb	President, Visa CEMEA region
Eduardo Eraña	President, Visa LAC region
Rupert Keeley	President, Visa AP region
John Elkins	EVP — Global Brand, Marketing and Corporate Relations
Terence Milholland	EVP — Chief Technology Officer
Matthew Piasecki	EVP — Chief Commercial Officer
Guy Rounsaville	EVP — General Counsel
Ken Sommer	EVP — Chief Administrative Officer and CFO

Mr. Rodrigues has served as president and chief executive officer of Visa International since May 2004. Prior to joining the Company, he was the group chief executive of Bradford & Bingley, a leading UK-based financial services organization. Before joining Bradford & Bingley in 1996, Mr. Rodrigues was chief executive of Thomas Cook, a global travel services company, which he joined as Chief Operating Officer in 1988. Mr. Rodrigues holds a B.A. degree from Cambridge University and a M.B.A. degree from Harvard Business School. He is currently a Non-Executive Director of Hilton Group plc.

Ms. Cobb has served as president of Visa CEMEA since May 1995. Prior to her appointment, Ms. Cobb held two other positions at Visa International: general manager of the then newly formed European Product Office from 1994 to 1995 and executive vice president of Strategy from 1992 to 1994. Before joining Visa International, Ms. Cobb was general manager of Eurocard International. Ms. Cobb has a political science and economics degree from SCIENCES PO Paris, and also studied econometrics at the University of California, San Diego.

Mr. Eraña has served as president of Visa LAC since February 2002. Prior to his appointment, Mr. Eraña held two other positions at Visa International: president of Visa Mexico from 1997 to 2002 and executive vice president of Visa International's LAC region from 1984 to 1997. Before joining Visa International, Mr. Eraña held various senior-level positions at Bancomer, most notably executive vice president and director of Credit Card Operations. Mr. Eraña holds a B.S. degree from the Universidad Autonoma de Mexico.

Mr. Keeley has served as president of Visa AP since May 2000. Prior to his appointment, Mr. Keeley served as executive vice president of Finance, Administration and Marketing at Visa International. Before joining the Company, Mr. Keeley held various senior-level positions with Standard Chartered plc. Mr. Keeley holds a B.Sc. (Hons) degree from the University of Manchester, England and a M.B.A. degree from City University Business School in London.

Mr. Elkins has served as executive vice president of Global Brand, Marketing and Corporate Relations at Visa International since April 2003. Before joining Visa International, Mr. Elkins was founder, chairman and chief executive officer of FutureBrand, a division of the Interpublic Group. He was also the chairman and chief executive officer of the McCann-Erickson WorldGroup Brand Equity sector, in which FutureBrand was the lead agency. Mr. Elkins holds a B.Ed. degree from the University of Exeter and a M.Sc. degree from the University of Oregon.

Mr. Milholland has served as chief technology officer of Visa International since May 2005. Before joining Visa International, Mr. Milholland served as chief information officer/chief technology officer for Electronic Data Systems Corp. Previously, he served as the chief information officer at Boeing Company. Mr. Milholland holds a Bachelor's degree from the University of Maryland and a Master's degree from George Washington University.

Mr. Piasecki has served as chief commercial officer responsible for Global Strategy, Products and Product Innovation at Visa International since January 2005. Before joining Visa International, Mr. Piasecki accumulated many years of experience working with leading global payments organizations and major card issuers in Europe and the U.S. His last position was president of Map Management Consulting Ltd. Mr. Piasecki was educated at the Gdansk Institute of Technology and holds a M.Sc. degree from the University of Stockholm.

Mr. Rounsaville has served as Visa International's general counsel since March 2001. Before joining Visa International, Mr. Rounsaville was co-managing partner at the San Francisco office of Allen Matkins Leck Gamble & Mallory LLP. Mr. Rounsaville previously served as General Counsel and Corporate Secretary at Wells Fargo Bank for 21 years. Mr. Rounsaville holds a B.A. degree from Stanford University and graduated from Hastings College of Law.

Mr. Sommer has served as chief financial officer of Visa International since March 2000. He was recently promoted to chief administrative officer, where his responsibilities in addition to serving as the chief financial officer have been expanded to include Risk Management and Human Resources. Before joining Visa International, Mr. Sommer held senior financial positions at Citibank, including chief financial officer for Citibank's Corporate and Investment Bank for Latin America. Mr. Sommer holds a B.A. degree from Michigan State University.

SELECTED FINANCIAL DATA

(In thousands)

Years Ended September 30,	2005	2004*	2003	2002	2001
Consolidated Statements of Operations Data					
Operating revenues	$1,162,316	$1,427,002	$1,369,377	$1,209,669	$1,194,810
Operating income	$ 122,045	$ 72,918	$ 46,625	$ 37,437	$ 59,065
Income from continuing operations	$ 83,201	$ 32,289	$ 17,425	$ 22,056	$ 49,304
Income (loss) from discontinued operations	$ –	$ –	$ 1,555	$ 3,954	$ (30,707)
Net income	$ 83,201	$ 32,289	$ 18,980	$ 26,010	$ 18,597

September 30,	2005	2004	2003	2002	2001
Consolidated Balance Sheet Data					
Working capital	$ 320,661	$ 210,503	$ 80,993	$ 75,090	$ 62,281
Total assets	$1,767,956	$1,789,182	$2,398,802	$2,112,422	$1,904,532
Long-term debt (including current portion)	$ 39,904	$ 39,879	$ 44,852	$ 44,821	$ 66,781
Minority interest	$ –	$ 7,000	$ 7,000	$ 7,000	$ 7,000
Members' equity	$ 535,446	$ 453,948	$ 421,422	$ 380,130	$ 376,612

* *Consolidated statement of operations data for fiscal 2004 includes results of the EU region only for the nine-month period ended June 30, 2004 prior to the EU region incorporation.*

The selected Visa International consolidated financial data presented above as of and for each of the fiscal years in the five-year period ended September 30, 2005 are derived from Visa International's consolidated financial statements, which have been audited by KPMG LLP, our independent certified public accountants. The comparability of our financial data was affected by the sale of Inovant, Inc. to Visa U.S.A. and the subsequent formation of Inovant LLC on January 1, 2003 and the EU region incorporation on July 1, 2004.

The operating results of Inovant are reported as discontinued operations for fiscal 2003, 2002 and 2001, and the results of operations for fiscal 2003 only include results from Inovant for the three months ended December 31, 2002. Starting with fiscal 2003, the balance sheet data does not include any balances from Inovant. Refer to Note 5 to the consolidated financial statements included herein for an expanded discussion of this transaction.

Due to the incorporation of the EU region, the results of operations for fiscal 2004 only include results from the EU region for the nine months ended June 30, 2004. The balance sheet data at September 30, 2004 does not include any amounts from the EU region. Refer to Note 4 to the consolidated financial statements included herein for an expanded discussion of this transaction.

The data set forth above should be read in conjunction with, and are qualified by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes thereto, included elsewhere in this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(In thousands, except as noted)

The following discussion should be read in conjunction with the Visa International consolidated financial statements and related notes thereto, included elsewhere in this report.

Forward-Looking Statements

The following cautionary statements address a number of important factors that could cause actual results to differ from those expressed or implied in the forward-looking statements contained in this document.

This discussion contains certain statements that are forward-looking. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, the forward-looking statements. These statements are representative only as of the date they are made and the Company undertakes no obligation to update any forward-looking statement. Possible events or factors that could cause results or performance to differ materially from those expressed in forward-looking statements include, but are not limited to, the following: changes in general economic and political conditions; the intense nature of competition in the global payments industry; technological or regulatory developments in the global payments industry; the continuing credit-worthiness of members; and the outcome or impact of legal proceedings.

Outlook for 2006

Visa International's outlook for fiscal 2006 is based on information presently available and contains certain assumptions regarding future economic conditions. Differences in actual economic conditions compared with our assumptions could have a material impact on our fiscal 2006 results.

Visa International begins 2006 the way we ended 2005, with confidence and anticipation of continued success. Visa expects to continue as the most widely used form of electronic payment in the world. We expect to see continued increases in the number of cards issued, the number of merchants accepting our solutions and cardholder usage. Debit remains a very strong vehicle for expansion, with volumes expected to increase more than 20% in 2006. This robust growth will enable Visa to increase its penetration of Personal Consumption Expenditures (PCE), a key measure of consumer spending. Although there are a number of competitive, regulatory and economic issues that could adversely affect our outlook, we anticipate strong growth in all three Visa International regions as we continue to expand in these emerging markets. With the anticipation of double-digit volume growth in both debit and credit, Visa International is expected to generate double-digit revenue growth, exclusive of member incentives. The strength of our existing relationships, the breadth of our installed merchant and cardholder base, and the value we provide to stakeholders throughout the system give us confidence in our forecasts. Visa also has significant product, geographic, consumer, bank and merchant diversification — which allow slow growth in one area to be offset by strength in others.

The majority of our expenses are predictable and controllable. Our priorities for 2006 will revolve around reviewing our corporate structure, strengthening the brand, building innovative products, investing in technology and providing cardholders, merchants and our members a secure environment in which to conduct commerce. To build upon our foundation of security, Visa will be making significant investments in security, fraud control and enterprise risk management.

Results of Operations

Our results of operations include results from the unincorporated regions (AP, CEMEA and LAC) and Visa's corporate headquarters, VWS. Visa U.S.A., Visa Europe and Visa Canada are separately incorporated regional group members that publish separate financial statements. Visa Europe became a regional group member on July 1, 2004 after the incorporation of the EU region. Accordingly, our consolidated financial statements include results from the EU region for the first nine months of fiscal 2004 and all of fiscal 2003. For the purposes of discussing and analyzing our results of operations for fiscal 2004 and 2003 on a comparable basis to fiscal 2005, the following table presents our actual results of operations for 2005, and the results of operations for fiscal 2004 and 2003 adjusted to exclude the EU regional results.

Years Ended September 30,	2005	2004			2003		
	Actual	Actual	EU Region*	Adjusted	Actual	EU Region	Adjusted
Operating Revenues							
Service fees	$ 453,633	$ 471,175	$ 29,618	$ 500,793	$ 466,370	$ 50,712	$ 517,082
International service revenues	359,075	423,913	(122,778)	301,135	394,537	(147,549)	246,988
Data processing fees	206,489	322,791	(143,418)	179,373	313,815	(149,279)	164,536
Card recovery bulletin fees	28,878	52,118	(23,057)	29,061	70,753	(35,808)	34,945
Other revenues	114,241	157,005	(30,967)	126,038	123,902	(16,879)	107,023
Total operating revenues	1,162,316	1,427,002	(290,602)	1,136,400	1,369,377	(298,803)	1,070,574
Operating Expenses							
Personnel	303,693	390,310	(77,814)	312,496	375,506	(89,288)	286,218
Affiliates services	183,511	245,543	(37,429)	208,114	261,556	(41,789)	219,767
Premises, equipment and software	104,130	140,837	(41,399)	99,438	154,552	(56,966)	97,586
Communications	31,833	52,318	(15,903)	36,415	41,897	(12,739)	29,158
Professional and consulting services	98,721	124,552	(29,050)	95,502	108,738	(20,271)	88,467
Advertising and promotion	284,973	297,989	(51,925)	246,064	280,489	(51,894)	228,595
Travel and meetings	45,530	52,564	(13,018)	39,546	50,268	(12,621)	37,647
Other expenses	32,482	49,876	(17,125)	32,751	49,617	(13,841)	35,776
Settlement risk guarantee	(44,602)	95	–	95	129	–	129
Total operating expenses	1,040,271	1,354,084	(283,663)	1,070,421	1,322,752	(299,409)	1,023,343
Operating income	122,045	72,918	(6,939)	65,979	46,625	606	47,231
Non-operating income (expense), net	20,025	(5,211)	4,676	(535)	(6,059)	(1,659)	(7,718)
Income before provision for income taxes	142,070	67,707	(2,263)	65,444	40,566	(1,053)	39,513
Provision for income taxes	58,869	35,418	(2,323)	33,095	23,141	(1,250)	21,891
Income from continuing operations	83,201	32,289	60	32,349	17,425	197	17,622
Income from discontinued operations, net of taxes	–	–	–	–	1,555	–	1,555
Net income	$ 83,201	$ 32,289	$ 60	$ 32,349	$ 18,980	$ 197	$ 19,177

* *Fiscal 2004 includes the nine-month period ended June 30, 2004 prior to incorporation.*

Comparison of Fiscal 2005 to 2004

Executive Summary

We generate revenues and cash flows sufficient to fund the ongoing operation and development of the payments system, to fulfill financial obligations and to maximize long-term growth of the Company's products and services. The Company's primary business is to operate, expand, enhance and support a global payments system. Visa International's products enable members to profitably provide consumers and businesses worldwide access to their financial resources in a cost-efficient, secure and convenient manner.

Fiscal 2005 proved to be another successful year for Visa International. Global economies were generally stable or improving, and we achieved transaction and Card Sales Volume ("CSV") growth in excess of 10%. CSV measures the monetary value of transactions for goods and services initiated with Visa products, and includes cash transactions. CSV is one of our key metrics and also a driver of our service fee revenues.

In October 2004, member banks from eight countries which were formerly in our CEMEA region joined Visa Europe, as a result of the admittance of these countries into the European Union. For comparability, when excluding CSV related to these members in 2004, CSV growth in 2005 was 18%. This CSV growth was concentrated in debit products, which experienced growth of approximately 32%, while credit products grew approximately 8%.

Revenues in fiscal 2005 totaled $1.16 billion, an increase of 2% over 2004. This growth was driven by an 18% increase in CSV and comparable increases in data processing and international transactions, offset by declines in revenue resulting from the transition of CEMEA members to Visa Europe, lower revenues from separately incorporated regional group members, and an increase in member incentives.

Operating expenses in fiscal 2005 declined $30.2 million, or 3%, as compared to the prior year. Employee headcount at September 30, 2005 was unchanged when compared to the prior year, as hiring in the regions offset reductions at VWS. In the fourth quarter of fiscal 2005, we recorded an expense reduction of $44.6 million resulting from the evaluation of the settlement risk guarantee. (Refer to Note 14 to the consolidated financial statements included herein for further discussion.) Excluding the impact of the settlement risk guarantee, operating expenses increased $14.5 million, or 1.4%. This increase was primarily attributable to higher advertising and promotion expenses, partially offset by lower affiliates services and personnel expenses at VWS.

Income from operations in fiscal year 2005, exclusive of the impact related to the settlement guarantee, totaled $77.4 million, an increase of $11.4 million, or 17%, over fiscal 2004.

The AP region contributed 35% to consolidated revenue in fiscal 2005. Midway through our fiscal year, this region implemented a significant restructure to regional pricing, primarily related to the acquiring business. Price increases were appropriate for our services based on competitive conditions and included provisions for significant incentive payments to members in this region. Revenue earned from this pricing restructure in fiscal 2005, together with incremental revenue from volume increases of 13%, enabled the region to undertake large-scale advertising initiatives throughout the region, increase Card Sales Volume and enhance brand awareness, particularly in emerging markets such as China.

The CEMEA region contributed 13% to consolidated revenue in fiscal 2005. Revenue for this region in fiscal 2005 was impacted by the transfer of members from eight countries to Visa Europe on October 1, 2004. Fiscal 2004 revenue earned from these members was approximately $34.5 million. In fiscal 2005, the region was able to overcome this revenue impact through price increases and lower member incentives as compared to the prior year. In addition, the region earned higher revenue from existing markets. As a result, revenue grew 5% over fiscal 2004. Operating expenses increased 4% over fiscal 2004, primarily due to higher personnel expenses, and the region achieved break-even operating results, consistent with 2004. This is the fastest growing Visa region in percentage terms, with average volume growth of approximately 37%.

The LAC region contributed 18% to consolidated revenue in fiscal 2005, and achieved revenue growth, after incentive payments to members. Growth in Card Sales Volume and data processing averaged 24% in this region, and drove a comparable increase in total revenue of 20%. As a result of the successes achieved in fiscal 2005, the region was able to increase member incentives. The region maintained operating expenses at prior year levels, and was able to generate a substantial increase in operating income.

Revenue earned at corporate headquarters, VWS, contributed 34% to our consolidated revenue in fiscal 2005. VWS earns revenue from license and development fees from incorporated regions and by providing foreign currency transaction services globally. Operating expenses at VWS, excluding the impact related to the settlement risk guarantee, decreased 9% in fiscal 2005 over 2004. Personnel expense declined 10%, due to various factors including declines in salary, pension, and benefits expenses resulting from lower employee headcount.

Operating Revenues

Visa International does not issue cards, set related fees or determine the interest rates consumers will be charged on Visa branded cards. Issuing members have the responsibility for determining these and most other competitive card features. The Company derives revenue from quarterly service fees paid by members (including Visa U.S.A., Visa Europe, and Visa Canada) based upon their utilization of Visa branded products, primarily as measured by Card Sales Volume. International service revenues are generated from fees for cross-border transactions in which the issuer country is different from the merchant country, and from currency conversion activities. Data processing fees are charged to members and third parties for providing transaction authorization and clearing and settlement services that facilitate transaction processing, information flow and monetary transfers among members. Card recovery bulletin fees are paid by card-issuing members for the service of posting blocked cardholder accounts in listings that are available to members. Other revenues are earned from product enhancements, risk-related penalty charges, initial membership fees, contributions by members to regional advertising funds and fees for licensing and certification.

We have agreements with certain members and merchants to provide volume-based and support incentives. These incentives are accrued based on management's estimate of the members' or merchants' performance in a given period according to provisions in the agreements. Actual results could differ from these estimates. Incentives that meet the guidance of Emerging Issue Task Force ("EITF") Issue No. 01-9, *"Accounting for Consideration Given by a Vendor to a Customer (including a Reseller of the Vendor's Products),"* are recorded as reductions of revenue in the same period as the related revenue is earned.

We provide global brand management, product enhancements and corporate support to the entire Visa enterprise. We charge cost-based fees allocated to the incorporated regions based on Card Sales Volume generated by these group members. Visa International is also a party to various agreements which allow the incorporated regions to provide services to each other at negotiated rates. Total revenue earned from Visa U.S.A., Visa Europe and Visa Canada was $305.1 million and $344.8 million in fiscal 2005 and 2004, respectively.

Total operating revenues — Total operating revenues in fiscal 2005 increased by 2.3% to $1.16 billion, versus $1.14 billion in the prior fiscal year. Revenue growth was driven by double-digit growth in both card sales and transaction volume, as well as pricing increases in AP and CEMEA. These pricing increases resulted in a net $21.1 million increase in fiscal 2005 revenue as compared to fiscal 2004, net of member incentives. The growth in revenue, however, was tempered by the transition of member banks from eight countries formerly included in CEMEA to Visa Europe in October 2004, shortly after these countries joined the European Union in May 2004. Fiscal 2004 revenue attributable to members in these countries was $34.5 million.

The following table reflects the components of our operating revenues for fiscal years 2005 and 2004 (excluding the EU region):

Years Ended September 30,	2005	% of Revenues	Adjusted 2004*	% of Revenues	$ Change	% Change
Service fees	$ 453,633	39.0%	$ 500,793	44.1%	$(47,160)	(9.4%)
International service revenues	359,075	30.9%	301,135	26.5%	57,940	19.2%
Data processing fees	206,489	17.8%	179,373	15.8%	27,116	15.1%
Card recovery bulletin fees	28,878	2.5%	29,061	2.5%	(183)	(0.6%)
Other revenues	114,241	9.8%	126,038	11.1%	(11,797)	(9.4%)
Total operating revenues	$1,162,316	100.0%	$1,136,400	100.0%	$ 25,916	2.3%

* *Adjusted to exclude results of the EU region.*

Service fees — Service fees decreased by $47.2 million, or 9.4%, in fiscal 2005 over the prior fiscal year. CSV growth across the three regions was approximately 18% in fiscal 2005 as compared to fiscal 2004. However, the impact on total revenue from volume increases in fiscal 2005 was more than offset by higher levels of member incentives, lower revenues earned from the incorporated regions, and the decline in revenue resulting from the transition of member banks from the CEMEA region to Visa Europe. In fiscal year 2005 as compared to 2004, the Visa debit program averaged CSV growth of 32% across all regions, while Visa Classic and Visa Platinum products exhibited solid growth in AP. In LAC, volumes increased by 22%, with particularly strong growth in Brazil, Mexico and the Andean and Caribbean regions. Overall CSV growth in CEMEA was 36%, with debit products growing by 38% and credit products growing by 20%.

Service fee revenue in fiscal 2005 also benefited from modifications to our pricing structure in AP and CEMEA, which had a combined positive impact on service fee revenue of approximately $36.3 million. Additional fees related to sales volume increased approximately $16.4 million in fiscal 2005 as compared to fiscal 2004, due to higher levels of travel throughout all of our regions.

The growth in service fee revenue attributable to these factors was more than offset by the following:

- Higher member incentives of approximately $86.1 millon in fiscal 2005 as compared to fiscal 2004 primarily concentrated in AP and LAC. The incentives were related to new pricing strategies implemented in fiscal 2005 and to higher other incentives related to performance-based arrangements.
- Lower fees earned from the incorporated regions of $41.4 million in fiscal 2005 as compared to fiscal 2004 due to a decrease in the amount of fees charged for central systems development and corporate support services. The charges for systems development were lower due to the completion of an authorization system and the subsequent transition of the project to Visa Europe. The charges for corporate support services were lower as a result of expense containment efforts at VWS.
- Lower service fees of approximately $6.9 million in fiscal 2005 as compared to fiscal 2004 due to the migration of member banks from eight countries previously included in CEMEA to Visa Europe in October 2004.

Of total service fee revenue, $300.6 million and $342.0 million was earned from the incorporated regions — Visa U.S.A., Visa Europe and Visa Canada — in fiscal 2005 and 2004, respectively.

International service revenues — International service revenues increased $57.9 million, or 19.2%, in fiscal 2005 over the prior fiscal year. International service revenues fluctuate with cross-border travel and are impacted by changes in foreign currency exchange rates. Fees were higher due to growth in cross-border transactions of 21% from fiscal 2004, driven by higher levels of international travel resulting from improved global economies and a continued easing of terrorist threats. These increases

were partially offset by the migration of member banks from eight countries previously included in CEMEA to Visa Europe in October 2004, resulting in a revenue decline of approximately $12.5 million in 2005 as compared to the prior fiscal year.

Data processing fees — Data processing fees increased $27.1 million, or 15.1%, in fiscal 2005 over the prior fiscal year. The growth was due to transaction volume growth across all three regions of 16% in fiscal 2005 as compared to fiscal 2004, arising from growth in the number of cards issued and from new services and products for targeted markets, including lower value payments. Revised pricing structures in the AP and CEMEA regions had a positive impact on data processing fees of approximately $17.3 million in fiscal year 2005 as compared to fiscal 2004. The revenue growth was partially offset by the transfer of member banks from eight countries previously included in CEMEA to Visa Europe in October 2004.

Of the total data processing fees, $4.5 million and $2.8 million were earned from the incorporated regions — Visa U.S.A., Visa Europe and Visa Canada — in fiscal 2005 and 2004, respectively.

Card recovery bulletin fees — Card recovery bulletin fees decreased $0.2 million, or less than 1%, in fiscal 2005 from the prior fiscal year. This service is being gradually phased out in certain regions.

Other revenues — Other revenues decreased $11.8 million, or 9.4%, in fiscal 2005 from the prior fiscal year. This decline was primarily due to modifications to member-funded advertising and regional development programs, which resulted in a net reduction in revenue of $10.9 million.

Operating Expenses

Total operating expenses in fiscal 2005 decreased by 2.8% to $1.04 billion, versus $1.07 billion in the prior fiscal year. Fiscal 2005 operating expenses include a benefit of $44.6 million related to the evaluation of the settlement risk guarantee. Excluding this item, operating expenses would have increased by $14.5 million, or 1.4%, over the prior fiscal year, due to higher advertising and promotion expenses, partially offset by lower affiliates services and personnel expenses at VWS.

The following table reflects the components of our operating expenses for fiscal years 2005 and 2004 (excluding the EU region):

Years Ended September 30,	2005	% of Expenses	Adjusted 2004*	% of Expenses	$ Change	% Change
Personnel	$ 303,693	29.2%	$ 312,496	29.2%	$ (8,803)	(2.8%)
Affiliates services	183,511	17.6%	208,114	19.4%	(24,603)	(11.8%)
Premises, equipment and software	104,130	10.0%	99,438	9.3%	4,692	4.7%
Communications	31,833	3.1%	36,415	3.4%	(4,582)	(12.6%)
Professional and consulting services	98,721	9.5%	95,502	8.9%	3,219	3.4%
Advertising and promotion	284,973	27.4%	246,064	23.0%	38,909	15.8%
Travel and meetings	45,530	4.4%	39,546	3.7%	5,984	15.1%
Other expenses	32,482	3.1%	32,751	3.1%	(269)	(0.8%)
Settlement risk guarantee	(44,602)	(4.3%)	95	–	(44,697)	nm
Total operating expenses	$1,040,271	100.0%	$1,070,421	100.0%	$(30,150)	(2.8%)

* *Adjusted to exclude results of the EU region.*

nm — not meaningful

Personnel — Personnel expense consists of employee salaries, incentives and benefits expenses. Personnel expense decreased $8.8 million, or 2.8%, in fiscal 2005 from the prior fiscal year. Benefits decreased $13.6 million, primarily due to the combined effect of a $9.0 million reduction in pension expense and a $4.4 million reduction in payroll tax expense. The decline in pension

expense was largely due to reduced pension settlement losses in fiscal year 2005 as compared to fiscal 2004. The decline in payroll tax expense was attributable to favorable tax treatment related to U.S. expatriates working abroad. Expenses for employee incentives decreased $5.3 million, primarily due to a reduction in the number of plan participants, particularly at VWS. These decreases in personnel expenses were partially offset by annual merit increases, which added $5.1 million to expense in fiscal year 2005, and an increase in severance expense of $3.8 million, primarily at VWS. Employee headcount increased at the regions, offset by a decrease in VWS.

Affiliates services — Affiliates services represent fees paid to Inovant LLC (a Visa affiliate and part of the Visa enterprise) for transaction processing and other services related to system development in support of Visa branded products and services. Affiliates services expense decreased $24.6 million, or 11.8%, in fiscal 2005 from the prior fiscal year. This decrease was driven by lower charges for various shared network and payment application enhancements. In addition, affiliates services expense in fiscal 2005 was reduced by $12.3 million due to a one-time pricing related settlement from Inovant LLC.

Premises, equipment and software — Premises, equipment and software expense consists of maintenance, depreciation and amortization expense and facilities-related costs. Premises, equipment and software expense increased $4.7 million, or 4.7%, over the prior fiscal year. This increase was due to higher amortization expense resulting from software placed in service in late fiscal 2004 and early fiscal 2005, partially offset by lower depreciation expense for office furniture and equipment that became fully depreciated in late fiscal 2004 and early fiscal 2005.

Communications — Communications expense relates to costs associated with various telecommunication networks and related infrastructure. Communications expense decreased $4.6 million, or 12.6%, in fiscal 2005 from the prior fiscal year as a result of favorable contract renegotiations and more efficient configurations of telecommunications resources within AP and LAC. In addition, fiscal 2004 expense included costs from running an analog network while also building out a digital network in CEMEA. Communications in CEMEA were fully converted to the new digital network in fiscal 2005.

Professional and consulting services — Professional and consulting services consist of costs associated with systems development, legal, consulting for product and marketing projects, tax, audit, and other outside services. Professional and consulting services increased $3.2 million, or 3.4%, in fiscal 2005 over the prior fiscal year. This increase was due to the following:

- Higher product and marketing consulting expense of $11.5 million, of which $3.8 million was related to the revitalization of the Visa brand. The remaining increase was attributable to various projects undertaken in connection with member initiatives.
- Higher legal expenses of $6.2 million related to various litigation cases (see Note 22 to the consolidated financial statements included herein).
- Strategic corporate consulting and governance matters, which increased expenses by approximately $5.3 million.

These incremental expenses in fiscal 2005 were partially offset by lower central systems development consulting costs of $16.4 million in fiscal 2005 as compared to fiscal 2004. The decline in systems development consulting costs was primarily due to the completion of an authorization system and the subsequent transition of the project to Visa Europe.

Advertising and promotion — Advertising and promotion expense includes costs associated with discretionary advertising and marketing programs, sponsorships, promotions and other related incentives, net of co-operative advertising expense reimbursements from members, to promote the Visa brand and assist members in achieving their goals. Advertising and promotion expense increased $38.9 million, or 15.8%, over the prior fiscal year primarily due to:

- Increased spending of approximately $36.1 million for media, production and related activities, largely in AP and LAC. Within AP, spending covered all major forms of consumer-oriented advertising, including billboards, television and print media. Advertising campaign activities in LAC focused on Mexico.

- Advertising spending related to the revitalization of the Visa brand, including production of point-of-sale materials, which increased expenses by approximately $7.0 million in fiscal 2005 as compared to fiscal 2004.
- Partially offset by lower spending of $3.7 million related to Visa's sponsorship of the Olympics in fiscal 2005 as compared to 2004, due to the completion of the Athens Olympics in 2004, partially offset by spending for the upcoming Torino Olympics in 2006.

Travel and meetings — Travel and meetings expense consists of costs related to employee travel as well as Board of Directors and other regional member meetings. Travel and meetings expense increased $6.0 million, or 15.1%, in fiscal 2005 over the prior fiscal year. The increase was primarily due to an All-Board meeting that was held in 2005 in Beijing, China, which included regional and corporate board members from all Visa entities and regions. All-Board meetings are usually held every two years. Additional travel expense was incurred in 2005 as a result of efforts to decentralize CEMEA via the staffing of sub-regional offices, and in AP in connection with marketing promotions and member meetings.

Other expenses — Other expenses include product enhancements, member reimbursements and incentives, insurance, and other general office and administrative costs. Other expenses were flat in fiscal 2005 as compared to fiscal 2004.

Settlement risk guarantee — In the fourth quarter of fiscal 2005, we recorded a reduction to expense of $44.6 million resulting from the evaluation of the settlement risk guarantee. This evaluation included reviewing the model for calculating the settlement risk guarantee in conjunction with Visa's global risk policies and procedures. As a result, certain assumptions relating to our membership's settlement exposure and historical loss and recovery experience were favorably adjusted. Refer to Note 14 to the consolidated financial statements included herein for further discussion.

Non-Operating Income (Expense), Net, and Provision for Income Taxes

Non-operating income (expense), net, and provision for income taxes in fiscal 2005 and 2004 were as follows (excluding the EU region):

Years Ended September 30,	2005	Adjusted 2004*	$ Change	% Change
Non-operating income (expense), net	$20,025	$ (535)	$20,560	nm
Provision for income taxes	$58,869	$33,095	$25,774	77.9%

* *Adjusted to exclude results of the EU region.*

nm — not meaningful

Non-operating income (expense), net — This category consists of interest income earned on short-term investments, interest expense on borrowings and tax assessments, dividends, equity earnings or losses, and other gains or losses, including impairment charges from strategic and other investments, and net gains or losses from the sale of assets.

The increase of $20.6 million in non-operating income (expense), net, in fiscal 2005 over the prior period was due to the following factors:

- Interest income increased $6.7 million due to higher market interest rates and higher balances of short-term investments in fiscal 2005 as compared to fiscal 2004.
- Interest expense decreased primarily due to a one-time expense incurred in fiscal 2004 of approximately $6.6 million in connection with the settlement of income tax audits.
- Dividend income increased $6.7 million from a strategic investment in Brazil.

Provision for income taxes — Provision for income taxes increased $25.8 million, or 77.9%, in fiscal 2005 over the prior fiscal year due to an increase in taxable income of $76.6 million, partially offset by a decline in the effective tax rate from 50.6% in fiscal 2004 to 41.4% in fiscal 2005. The favorable decline in the effective tax rate is attributable to foreign tax refunds received and the favorable resolution of a federal income tax audit during fiscal 2005, partially offset by the expected result of a California tax audit.

Comparison of Fiscal 2004 to 2003

Operating Revenues

Total operating revenues — Total operating revenues increased in fiscal 2004 by 6.1% to $1.14 billion versus $1.07 billion in the prior fiscal year. The increase was primarily due to overall growth in our business driven by an improved global economy, increased global travel, and new or expanded services. Of the total operating revenues, $344.8 million and $352.7 million were derived from regional group members in fiscal 2004 and 2003, respectively.

The following table reflects the components of our total operating revenues for fiscal years 2004 and 2003 (excluding the EU region):

Years Ended September 30,	Adjusted 2004*	% of Revenue	Adjusted 2003*	% of Revenue	$ Change	% Change
Service fees	$ 500,793	44.1%	$ 517,082	48.3%	$(16,289)	(3.2%)
International service revenues	301,135	26.5%	246,988	23.1%	54,147	21.9%
Data processing fees	179,373	15.8%	164,536	15.4%	14,837	9.0%
Card recovery bulletin fees	29,061	2.5%	34,945	3.2%	(5,884)	(16.8%)
Other revenues	126,038	11.1%	107,023	10.0%	19,015	17.8%
Total operating revenues	$1,136,400	100.0%	$1,070,574	100.0%	$ 65,826	6.1%

* *Adjusted to exclude results of the EU region.*

Service fees — Service fees decreased by $16.3 million, or 3.2%, in fiscal 2004 from the prior fiscal year, primarily due to:

- Higher incentives of $46.1 million related to member card activation and issuance, chip card conversions, and various fee waivers attributable to higher card-generated volumes and new programs launched in fiscal 2004.
- Lower fees earned from incorporated regions of $8.2 million in fiscal 2004, primarily due to a decrease in the amount of fees charged for corporate support services as a result of cost-cutting efforts at VWS.
- Partially offset by overall CSV growth of 9% in fiscal 2004 across the three regions as compared to fiscal 2003. The CSV growth, reflecting an increase in the number of transactions and members, was due to improved economies around the world. In addition, international sales volume based fees increased by $18.2 million, resulting from a global rebound in international travel following the SARS outbreak in 2003.

Of the total service fee revenues, $342.0 million and $350.2 million were derived from regional group members in fiscal years 2004 and 2003, respectively.

International service revenues — International service revenues increased by $54.1 million, or 21.9%, in fiscal 2004 over the prior fiscal year. International service revenues fluctuate with cross-border travel and are impacted by changes in foreign currency exchange rates. Revenues were higher primarily due to overall growth in cross-border transaction volume of 27% across the three regions in fiscal 2004 as compared to fiscal 2003, partially offset by $24.8 million in rebates to issuers in CEMEA. The growth in cross-border transaction volume was attributable to increased global travel as the negative impact of the SARS outbreak on cross-border travel subsided and the impact of the Iraq war and the terrorism threat lessened.

Data processing fees — Data processing fees increased by $14.8 million, or 9.0%, in fiscal 2004 over the prior fiscal year. The growth was primarily due to transaction volume growth across all three regions of 15% in fiscal 2004 as compared to fiscal 2003, partially offset by a decline in fees due to the termination of an automated teller machine program at the beginning of fiscal 2004. Of the total data processing fees, $2.8 million and $2.5 million were derived from regional group members in fiscal 2004 and 2003, respectively.

Card recovery bulletin fees — Card recovery bulletin fees decreased $5.9 million, or 16.8%, in fiscal 2004 from the prior fiscal year. The decline was due to a 13.0% fee reduction coupled with a lower number of cards listed in our three regions. The overall decline was expected as this service is being gradually phased out in certain regions.

Other revenues — Other revenues increased $19.0 million, or 17.8%, in fiscal 2004 over the prior fiscal year due to the following factors:

- Higher billings of $9.1 million from AP in enhanced card services to members.
- Higher rental income of $7.0 million due to a new building owned by the Company and leased to Visa Resources, a real estate joint venture owned equally with Visa U.S.A. The new building was ready and occupied on September 30, 2003.
- Higher revenue of $6.3 million collected from members in AP and LAC to fund joint brand advertising and regional development programs, driven by growth in sales and transaction volume.
- Partially offset by a $3.4 million decrease in other revenues related to smart card chips in VWS.

Operating Expenses

Total operating expenses increased by $47.1 million, or 4.6%, in fiscal 2004 over the prior fiscal year. The following table reflects the components of our total operating expenses in fiscal 2004 and 2003 (excluding the EU region):

Years Ended September 30,	Adjusted 2004*	% of Expenses	Adjusted 2003*	% of Expenses	$ Change	% Change
Personnel	$ 312,496	29.2%	$ 286,218	28.0%	$ 26,278	9.2%
Affiliates services	208,114	19.4%	219,767	21.5%	(11,653)	(5.3%)
Premises, equipment and software	99,438	9.3%	97,586	9.5%	1,852	1.9%
Communications	36,415	3.4%	29,158	2.9%	7,257	24.9%
Professional and consulting services	95,502	8.9%	88,467	8.6%	7,035	8.0%
Advertising and promotion	246,064	23.0%	228,595	22.3%	17,469	7.6%
Travel and meetings	39,546	3.7%	37,647	3.7%	1,899	5.0%
Other expenses	32,751	3.1%	35,776	3.5%	(3,025)	(8.5%)
Settlement risk guarantee	95	–	129	–	(34)	(26.4%)
Total operating expenses	$1,070,421	100.0%	$1,023,343	100.0%	$ 47,078	4.6%

* *Adjusted to exclude results of the EU region.*

Personnel — Personnel expenses increased by $26.3 million, or 9.2%, in fiscal 2004 over the prior fiscal year primarily due to:

- Pension settlement costs of $12.0 million resulting from excess pension plan payments to retirees which triggered settlement accounting. In addition, pension costs were higher due to low interest rates and lower than expected return on plan assets.
- Higher severance provision of $8.5 million related to workforce reductions in VWS and AP in an effort to achieve greater efficiencies and reduce costs.
- Higher personnel costs related to a 2% increase in combined regional headcount.

Affiliates services — Affiliates services expenses decreased by $11.7 million, or 5.3%, in fiscal 2004 from the prior fiscal year, primarily due to lower shared system development costs in fiscal 2004 related to various network and payment application enhancements, partially offset by higher transaction processing volumes in all regions.

Premises, equipment and software — Premises, equipment and software expenses increased by $1.9 million, or 1.9%, in fiscal 2004 over the prior fiscal year mainly due to the following factors:

- Higher depreciation and amortization expense of $4.9 million on updated systems and new offices; increased spending on software; and increased hardware maintenance expenses associated with supporting new services and upgrading existing systems.
- Higher facilities-related expenses of $3.6 million in VWS associated with the full year impact of a new building placed in service late in fiscal 2003.
- Partially offset by lower facilities-related expenses of $6.9 million in CEMEA primarily due to vacating a leased premises.

Communications — Communications expenses increased by $7.3 million, or 24.9%, in fiscal 2004 over the prior fiscal year mainly due to the conversion of members to a new Internet Protocol VisaNet Access Point communication network in CEMEA and AP.

Professional and consulting services — Professional and consulting services expenses increased by $7.0 million, or 8.0%, in fiscal 2004 over the prior fiscal year primarily due to the following factors:

- Higher consulting fees of $12.3 million related to system-related projects, the revitalization of brand architecture, network infrastructure enhancements and various development efforts related to Visa products.
- Partially offset by a net decrease of $5.3 million in legal fees due to the settlement of a legal case in AP, partially offset by higher legal costs incurred in VWS.

Advertising and promotion — Advertising and promotion expenses increased by $17.5 million, or 7.6%, in fiscal 2004 over the prior fiscal year primarily due to higher media and production costs incurred on various television campaigns and print programs promoting the debit platform in AP and spending on the Olympic and Paralympic Games throughout all regions. Other key initiatives in fiscal 2004 included the Rugby World Cup, a Disney sponsorship and the Copa Toyota Libertadores Soccer Tournament.

Travel and meetings — Travel and meetings expenses increased by $1.9 million, or 5.0%, in fiscal 2004 over the prior fiscal year mainly due to additional Board meetings in 2004.

Other expenses — Other expenses decreased by $3.0 million, or 8.5%, in fiscal 2004 from the prior fiscal year mainly due to lower office and training expenses.

Non-Operating Income (Expense), Net, and Provision for Income Taxes

Non-operating income (expense), net, and provision for income taxes in fiscal 2004 and 2003 were as follows (excluding the EU region):

Years Ended September 30,	Adjusted 2004*	Adjusted 2003*	$ Change	% Change
Non-operating income (expense), net	$ (535)	$ (7,718)	$ 7,183	93.1%
Provision for income taxes	$33,095	$21,891	$11,204	51.2%

* *Adjusted to exclude results of the EU region.*

Non-operating income (expense), net — Non-operating income (expense), net, increased by $7.2 million, or 93.1%, in fiscal 2004 over the prior fiscal year primarily due to higher equity earnings and gains from strategic investments, partially offset by lower interest income on cash equivalents and short-term investments primarily due to lower average cash balances and declining U.S. interest rates.

Provision for income taxes — Provision for income taxes increased by $11.2 million, or 51.2%, in fiscal 2004 over the prior fiscal year as a result of higher pre-tax operating income, partially offset by a decline in the effective tax rate from 55.4% in fiscal 2003 to 50.6% in fiscal 2004. The difference in the effective tax rate between 2004 and 2003 results primarily from the impact of changes in the deferred state income tax expense due to fluctuations in the deferred tax assets and liabilities during 2004 and the reduced utilization of prior year research credits during 2003.

Liquidity and Capital Resources

Summary

Our primary sources of liquidity are cash on hand, a fixed income investment portfolio comprised of highly rated short-term debt instruments, cash flow from operations and access to various borrowing options. At September 30, 2005, these borrowing options included a $500.0 million U.S. commercial paper issuance program, multicurrency revolving credit facilities with a total commitment of approximately $1.9 billion, a $250.0 million medium-term note issuance program and intra-day and overnight uncommitted lines of credit. We seek to satisfy the liquidity standards published by the Bank for International Settlements ("BIS") for operators of net payment systems and to meet our ongoing working capital requirements.

Settlement due from and to members represents our most consistent liquidity requirement, and arises primarily from the timing of settlement between member institutions with settlement currencies other than the U.S. dollar. These settlement accounts receivable and payable generally remain outstanding for two business days, consistent with standard market conventions for foreign currency transactions. Settlement accounts receivable and payable balances vary according to the seasonal nature of international travel and worldwide holiday patterns. During fiscal 2005, we funded average daily net settlement receivable balances of $101.9 million, with the highest daily balance being $294.9 million.

In order to ensure prudent investments and provide management with the guidelines and authority to manage liquidity risk in a manner consistent with corporate objectives, we maintain a formal treasury policy approved by the Board of Directors. Management leads the Asset and Liability Committee ("ALCO"), which oversees Treasury to ensure the approved policy is implemented and followed. The ALCO establishes an annual liquidity target to ensure prudent liquidity resources are maintained.

We employ a methodology that measures capital relative to risk-based assets. The calculation uses a risk-weighting framework similar to one issued by the BIS. The standard for risk-based capital includes a minimum target capital level of 8% of risk-based assets. Off-balance sheet settlement guarantees represent the majority of the risk-weighted balance sheet. Visa International's risk-based capital ratios for fiscal years 2005, 2004 and 2003 were 10.7%, 11.2% and 8.1%, respectively, which were above the minimum target level.

(In thousands, except as noted)

Cash Flows

The following table sets forth, for the periods presented, data from our consolidated financial statements that reflect the financial condition and sources of liquidity:

Years Ended September 30,	2005	2004	2003
Consolidated Cash Flow Data:			
Net cash provided by (used in) operating activities	$103,484	$ (13,965)	$120,955
Net cash provided by (used in) investing activities	$ 77,843	$ (75,600)	$ (77,702)
Net cash used in financing activities	$ (8,200)	$ (5,000)	$ -

September 30,	2005	2004	2003
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$476,964	$303,837	$398,402
Investment securities, available-for-sale	$ 9,267	$110,069	$ 28,805
Long-term debt	$ 39,904	$ 39,879	$ 39,854
Working capital	$320,661	$210,503	$ 80,993
Risk-Based Capital Ratios:	10.7%	11.2%	8.1%

Operating Activities

In fiscal 2005, $78.7 million in cash was generated from net income, exclusive of non-cash charges for depreciation and amortization, and excluding the impact of the settlement risk guarantee, gains on investment sales, and deferred income taxes. After reflecting an increase of $74.3 million in accounts payable and accrued liabilities, partially offset by net cash used totaling $49.5 million for changes in prepaid expenses, member settlements and other purposes, cash provided by operating activities totaled $103.5 million in fiscal 2005. The increase in accounts payable and accrued liabilities is related to year-end accruals for marketing and member incentives, while the increase in prepaid expenses reflects annual funding for retirement plans as well as prepaid charges for the Torino Olympics and member incentives. Cash used in operating activities in 2004 was primarily attributable to a decrease in accrued and other liabilities of $165.6 million, partially offset by a decrease in prepaid and other assets of $78.3 million and current period earnings exclusive of non-cash charges for depreciation and amortization of $78.2 million.

Investing Activities

Cash provided by investing activities in fiscal 2005 was primarily due to net proceeds of $101.2 million from the maturity of available-for-sale investment securities, partially offset by $24.3 million in capital expenditures. Cash used in investing activities in fiscal 2004 was primarily due to net purchases of available-for-sale investment securities of $80.2 million, capital expenditures of $44.2 million and a settlement of intercompany balances with Visa Europe upon incorporation of $20.3 million, partially offset by $68.1 million in assets transferred to Visa Europe.

Financing Activities

The utilization of cash by financing activities in fiscal 2005 was attributable to $8.2 million for the early redemption of Visa Human Resources Services ("VHRS") preferred stock in September 2005, including a $1.2 million prepayment premium. Cash used in financing activities in fiscal 2004 was due to the maturity of a $5.0 million medium-term note in February 2004. To ensure liquidity was available to fund multicurrency settlement operations while maintaining adequate levels of corporate cash, short-term borrowings and repayments of $2.2 billion were executed during fiscal 2005.

Sources of Liquidity

We maintain a $500.0 million U.S. commercial paper program, which allows us to issue unsecured debt with maturities up to 270 days from the date of issuance at interest rates generally extended to companies with comparable credit ratings. Our commercial paper program is our primary source of short-term borrowed funds, and we issue commercial paper to cover short-term cash needs for settlement on a regular basis, particularly during peak holiday periods. At September 30, 2005 and 2004 we had no obligations outstanding under this program.

During fiscal 2005, we also had the following revolving credit facilities ("credit facilities"). The participating lenders are Visa members or affiliates of its members:

	Maximum Allowed Borrowing Under Credit Facility	Maturing
364-day facility	$1,200,000	October 2005
Three-year facility	$ 300,000	October 2007
Incremental facility	$ 400,000	October 2005

These credit facilities are maintained to provide liquidity in the event of settlement failures by our members and to back up the commercial paper program, and in the case of the three-year facility, for general corporate purposes. There were no borrowings under these credit facilities at September 30, 2005 and 2004 or at any time during the fiscal years then ended.

Interest rates on the credit facilities are determined by a ratings-based pricing grid which uses our senior unsecured long-term debt rating as assigned by Standard and Poor's and Moody's Investors Service ("Moody's"). Interest is assessed at various conventional reference rates plus applicable margins.

In October 2005, we entered into a new agreement for a $1.2 billion 364-day revolving credit facility and a $500.0 million incremental facility, maturing in October 2006. The $500.0 million incremental facility has been activated by us on a limited basis during periods of increased settlement volumes to further support the settlement process. The new facilities were obtained under similar terms and conditions to the maturing facilities.

In March 1992, we established a medium-term note program authorizing issuance of a maximum $250.0 million of unsecured, private placement notes. The notes may be issued with maturities from nine months to 30 years at fixed or floating interest rates. In February 2004, a medium-term note of $5.0 million matured and was paid in full. No medium-term notes were issued in fiscal 2005 or 2004. At September 30, 2005, we had a $40.0 million fixed rate note outstanding, with an interest rate of 7.53%. Interest expense on the notes in fiscal 2005, 2004 and 2003 was $3.0 million, $3.2 million and $3.4 million, respectively.

Material Covenants

The revolving credit facilities contain certain customary covenants, including two financial covenants which (i) limit the Company's outstanding unsecured borrowings with maturities in excess of one year to $400 million and (ii) require the Company to maintain accumulated net income of at least $300 million. Visa International was in compliance with all covenants during the fiscal years ending September 30, 2005 and 2004.

Credit Ratings

At September 30, 2005, Standard and Poor's and Moody's rated our long-term and short-term unsecured debt as follows:

Debt Type		Standard & Poor's	Moody's
Long-term unsecured debt	Local	A*	A1
	Foreign	A*	A1
Short-term unsecured debt		A-1	P-1

* *Current ratings affirmed. Indicates long-term outlook considered negative at this time, mainly due to ongoing litigation concerns.*

Working Capital Requirements and Capital Resources

We believe that cash from operations and our borrowing capacity under our credit facilities provide sufficient financial flexibility to meet seasonal working capital requirements and to fund capital expenditures, debt service requirements and additional growth opportunities for the foreseeable future. Our investment grade credit ratings have historically had a favorable impact on our cost of and access to capital.

Off-Balance Sheet Arrangements and Contractual Obligations

Our off-balance sheet arrangements relate to contingent obligations and guarantees.

Contingent Obligations

The Company has contingent obligations related to agreements with members, merchants and other organizations for various programs designed to build sales volume, increase card acceptance and increase other Visa branded transactions. These agreements, which range from one to eight years and extend through 2013, provide card issuance, marketing and program support based on specific performance requirements. The cumulative expected reduction of future earnings over the next eight years resulting from these agreements is estimated to be a maximum of $330.6 million as of September 30, 2005.

Guarantees

In October 2001, we entered into a twenty-year lease agreement for premises to be occupied by the EU and CEMEA regions. On July 1, 2004, upon the incorporation of the EU region as Visa Europe Services, Inc. (VESI), the entire lease was assigned to VESI with us acting as a guarantor to the landlord as required by United Kingdom property law under the existing lease. In the event of a default by VESI, we are obligated to make lease payments. The base rent commitment is £7.5 million each year or $13.2 million in U.S. dollars (based on the September 30, 2005 exchange rate). Rent is allocated based on the square footage occupied by the tenants and was 81.1% for VESI and 18.9% for the CEMEA region at September 30, 2005. VESI has agreed to reimburse us for any liabilities that may arise under our guarantee to the landlord. Since the inception of this arrangement, we have not made any payments under this guarantee. The impact of this guarantee was not material to our consolidated financial position or results of operations at September 30, 2005 and 2004.

We have settlement risk as a result of our indemnity to members for any settlement loss suffered due to failure of any other member to honor Visa cards and travelers cheques processed in accordance with our Operating Regulations. This indemnification is unlimited and is the result of the difference in timing between the date of a payment transaction and the date of subsequent settlement. Due to the effectiveness of the member risk policy and related operations, as well as our historical losses and recovery experience, the exposure to settlement losses not covered by member collateral or insurance is accounted for as a settlement guarantee. Management's estimate of the fair value of this guarantee is not considered material at September 30, 2005. Refer to Note 14 to the consolidated financial statements.

Contractual Obligations

As of September 30, 2005, significant contractual obligations, including payments due by period, were as follows:

Payments due by period	Total	1 year or less	2–3 years	4–5 years	More than 5 years
Long-term debt obligations	$ 40,000	$ –	$ –	$40,000	$ –
Interest on long-term debt	11,722	3,012	6,024	2,686	–
Capital lease obligations	132	99	33	–	–
Operating lease obligations	73,323	16,101	19,496	7,069	30,657
Marketing obligations	239,618	62,846	87,932	46,841	41,999
Total	$364,795	$82,058	$113,485	$96,596	$72,656

For more information refer to Note 13 for Debt and Note 21 for Commitments and Contingencies, in the notes to the consolidated financial statements, included herein.

The Company also has obligations with respect to its pension and postretirement medical benefit plans. Refer to Note 15 to the consolidated financial statements.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with U.S. GAAP. In connection with the preparation of our financial statements, we are required to make assumptions and estimates about future events, and apply judgments that affect the reported amounts of assets, liabilities, revenues, expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with U.S. GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material to the financial statements.

Our significant accounting policies are discussed in Note 2 to the consolidated financial statements included herein. Management believes that the following accounting estimates are the most critical to aid in fully understanding and evaluating our reported financial results, and they require management's most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. Management has reviewed these critical accounting estimates and related disclosures with the Audit, Risk and Finance Committee of our Board of Directors.

(In thousands, except as noted)

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
Revenue Recognition		
Our agreements with certain members and merchants to provide volume-based and support incentives are based on estimates.	These agreements with members and merchants to provide incentives are recorded as reductions of revenue in the same period as the related revenues are earned, based on management's estimate of the members' or merchants' performance in a given period according to provisions in the agreements. These estimates are compared to actual performance in subsequent periods.	If actual members' or merchants' performance differs from our estimates, the amounts recorded as reduction of revenue would be impacted.
Impairment of Investments		
Investments in entities accounted for under the historical cost and equity methods are reviewed regularly for impairment, and we recognize a charge when the fair value has declined below the cost basis and the decline is judged to be other-than-temporary.	The fair value of investments for which a quoted market price is not available is based on management's estimates. Among the factors considered by management in determining the fair value of investments are the cost of the investment, terms and liquidity, developments since the acquisition of the investment, the sales price of recently issued securities, the financial condition and operating results of the issuer, earnings trends and consistency of operating cash flows, the long-term business potential of the issuer, and other factors generally pertinent to the valuation of investments.	Using the impairment review methodology described herein, we had $2.2 million, $5.3 million and $3.0 million of impairment charges in the years ended September 30, 2005, 2004 and 2003, respectively. At September 30, 2005 and 2004, our maximum exposure to changes in fair value estimates represented the book values of these investments, which were $35.2 million and $25.9 million, respectively. The fair value of these investments is subject to a high degree of volatility and may be susceptible to significant fluctuations in the near term which could have a material impact on our financial statements.
Impairment of Long-Lived Assets		
Long-lived assets such as premises and equipment and finite-lived intangibles (excluding capitalized software) are reviewed for impairment when there are indications that the assets will no longer be actively used or when events or changes in circumstances indicate that the carrying value of the assets included in our financial statements may not be recoverable. If the estimated (undiscounted and without interest) future cash flows are less than the carrying value of the asset, we calculate an impairment loss. We recognize an impairment loss to the extent that the asset's carrying value exceeds the asset's estimated fair value. If we recognize an impairment loss, the adjusted carrying amount of the asset will be its new cost basis. For a depreciable long-lived asset, the new cost basis will be depreciated (amortized) over the remaining useful life of that asset. Restoration of a previously recognized impairment loss is prohibited.	Our impairment analysis calculations require management to apply judgment in estimating future cash flows and asset fair values, including forecasting useful lives of the assets and selecting the discount rate that reflects the risk inherent in future cash flows.	Using the impairment review methodology described herein, we had no impairment charges in the years ended September 30, 2005, 2004 and 2003. If actual results are not consistent with our assumptions and judgments used in this methodology, we may be exposed to impairment losses that could be material to our financial statements.

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
Capitalized Software Capitalized software includes internal and external costs incurred in developing software for internal use. Capitalized software is evaluated for impairment, at a minimum, on an annual basis or when an event occurs or circumstances change which indicate the existence of an impairment.	On an ongoing basis, management conducts an impairment analysis calculation by applying judgment in estimating whether each technology project will satisfy its intended function. If the carrying value exceeds the technology's fair value, an impairment loss is recorded.	Using the impairment review methodology described herein, we had no impairment charges in the years ended September 30, 2005, 2004 and 2003. At September 30, 2005 and 2004, our maximum exposure to changes in fair value estimates represented the book values of these intangible assets, which were $52.9 million and $51.4 million, respectively. If actual results are not consistent with our assumptions and judgments used in this methodology, we may be exposed to impairment losses that could be material to our financial statements.
Tax Contingencies In calculating our income tax expense or benefit, we make decisions regarding certain tax positions, including the timing and amount of deductions and the allocation of income among various tax jurisdictions. As a result, in certain circumstances we may record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized.	It is difficult to predict the final outcome or the timing of the resolution of any particular tax matter. A number of years may lapse before a tax return containing various issues, for which reserves have been established, is audited and finally resolved. The calculation of reserves related to tax matters involves significant judgment in estimating the impact of uncertainties in the application of complex tax laws.	We believe that our tax reserves reflect the probable outcomes of known contingencies. Although we think that our estimates and judgments discussed herein are reasonable, actual results may differ, which could be material to our financial statements. As a result, management carefully monitors the changes in these and other factors and adjusts the reserves and the effective tax rate on a timely basis if necessary.
Settlement Risk Guarantee The fair value of the settlement guarantee is based on estimates.	Management estimated the value of this guarantee using internal estimates of the probability of failure by each member, average settlement exposures, average number of days to settle and historical losses.	Using the methodology described herein, the resulting estimate of this settlement guarantee, after consideration of collateral held, was $0.3 million, which was recognized in accrued and other liabilities on the consolidated balance sheet as of September 30, 2005. If actual results are not consistent with our assumptions and judgments used in calculating the fair value, we may be exposed to a fair value change that could be material to our financial statements.

(In thousands, except as noted)

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
Legal and Regulatory Matters		
We are involved in a number of legal and regulatory actions, the outcomes of which are not within our complete control or may not be known for prolonged periods of time.	In accordance with Statement of Financial Accounting Standards (SFAS) No. 5, *"Accounting for Contingencies,"* we record a liability in our consolidated financial statements for legal and regulatory actions when a loss is known or considered probable and the amount can be reasonably estimated. If the loss is not probable or cannot be reasonably estimated, a liability is not recorded in the consolidated financial statements. In most cases, significant judgment is required to determine whether a loss is probable and to estimate the amount and timing of the loss to be recorded.	The outcome of these legal matters cannot be predicted with certainty. Significant changes in legal proceedings and/or the factors considered in the evaluation of those matters could have a material adverse effect on our business, financial condition and results of operations.
Pension		
Pension assumptions are significant inputs to actuarial models that measure pension benefit obligations and related effects on operations. Two critical assumptions — discount rate and expected return on assets — are important elements of plan expense and asset/liability measurements. We evaluate these critical assumptions at least annually on a plan basis. Other assumptions involving demographic factors such as retirement age, mortality and turnover are evaluated periodically and are updated to reflect our experience and expectations for the future. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors, and, in accordance with U.S. GAAP, the impact of these differences are accumulated and amortized over future periods.		
Our discount rate is based on matching the duration of other corporate bond pools that match the expected payment stream. The discount rate enables us to state the expected future cash flows at a present value on the measurement date. A lower discount rate increases the present value of benefit obligations and increases pension expense. We rely on the advice and expertise of actuarial consultants when making these critical assumptions.	*United States (U.S.) Plan* To reflect market interest rate conditions in calculating the projected benefit obligation, we reduced our pension discount rate from 6.3% at June 30, 2004 to 5.3% at June 30, 2005. *United Kingdom (UK) Plan* We utilized a discount rate of 5.0% and 5.3% at September 30, 2005 and 2004, respectively.	*U.S. Plan* A 25 basis point decrease or increase in discount rate would increase or decrease pension expense, respectively, by $1.2 million. *UK Plan* A 25 basis point decrease or increase in discount rate would increase or decrease pension expense, respectively, by $0.6 million.

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
To determine the expected rate of return on plan assets we consider the current and expected asset allocation, as well as the long-term historical risks and returns associated with each asset class within the plan portfolio. A lower expected rate of return on plan assets increases pension cost.	*U.S. Plan* We utilized an expected rate of return of 7.5% at June 30, 2005 and 2004. *UK Plan* We utilized an expected rate of return of 7.0% at September 30, 2005 and 2004.	*U.S. Plan* A 25 basis point decrease or increase in expected return on assets would increase or decrease pension expense, respectively, by $0.3 million. *UK Plan* A 25 basis point decrease or increase in expected return on assets would increase or decrease pension expense, respectively, by $0.1 million.
Postretirement Certain assumptions are used in the determination of our annual postretirement costs. Key assumptions include the discount rate used to measure the plan's projected benefit obligation and projected increase in future healthcare costs. We rely on the advice and expertise of actuarial consultants when making these critical assumptions.	To reflect market interest rate conditions in calculating the projected benefit obligation, we reduced our postretirement discount rate from 6.3% at June 30, 2004 to 5.0% at June 30, 2005. The annual rate of future increase in per capita cost of health benefits was 9% in 2005. The rate is assumed to decrease by 2% for one year, then by 1% for one year, reaching 6% in 2007 and remaining at that level thereafter.	A 25 basis point decrease or increase in discount rate would increase or decrease expense, respectively, by approximately $0.1 million. Increasing the health care cost trend by 1% would increase the postretirement accumulated plan benefit obligation by $0.4 million, and service and interest costs by approximately $0.1 million. Decreasing the health care cost trend by 1% would decrease the postretirement accumulated plan benefit obligation by $0.4 million, and service and interest costs by approximately $0.1 million.

Impact of Recently Issued Accounting Standards

Refer to Note 3 to the consolidated financial statements included herein.

Risk Factors

Our business is subject to many uncertainties and risks that may significantly impact our future operations. Possible events or factors that could cause results or performance to differ materially from those expressed in our forward-looking statements include, but are not limited to, the following:

- changes in general economic, environmental and political conditions;
- the intense nature of competition in the global payments industry;
- technological or regulatory developments affecting the global payments industry;
- third-party security over consumer data;
- the continuing credit-worthiness of our members, and
- the outcome or impact of legal proceedings.

Managing Risk

We identify and assess risk factors through an integrated enterprise-wide review process that includes financial, strategic and operational risks. Identified risks are reviewed by management and assigned for mitigation as appropriate. Top-level, global risks and mitigation plans are reviewed by a committee of the Board of Directors.

Seasonality

Our business is seasonal, reflecting international consumer travel patterns and increased consumer shopping during the holidays. Historically, the highest level of international travel occurs in the fourth fiscal quarter, ending September 30. Accordingly, the largest portion of international service revenue is earned in this quarter. This favorable increase in international service revenues may be more than offset by higher levels of member incentives in the fourth quarter, dependent on regional operating results for the full fiscal year. The first fiscal quarter, ending December 31, is generally the period of lowest operating expenditures. During this quarter, we suspend significant system development efforts in preparation for the holiday shopping season. Expenditures are higher after the second fiscal quarter, ending March 31, due to increased spending on advertising related to summer travel and systems development related to the following fiscal year's holiday season.

Selected Quarterly Financial Data

The following is a summary of unaudited selected quarterly financial data for the years ended September 30, 2005 and 2004:

	Fiscal 2005 Quarters Ended				
	December 31	March 31	June 30	September 30	Total
Operating revenues	$297,115	$307,522	$302,972	$254,707	$1,162,316
Operating income (loss)	$ 60,616	$ 63,988	$ 40,464	$ (43,023)	$ 122,045
Net income (loss)	$ 32,202	$ 35,570	$ 31,279	$ (15,850)	$ 83,201

	Fiscal 2004 Quarters Ended*				
	December 31	March 31	June 30	September 30	Total
Operating revenues	$385,566	$397,383	$381,314	$262,739	$1,427,002
Operating income (loss)	$ 83,286	$ 66,260	$ (9,218)	$ (67,410)	$ 72,918
Net income (loss)	$ 39,868	$ 30,600	$ (6,276)	$ (31,903)	$ 32,289

* *First three quarters include the EU region results, fourth quarter excludes EU region results due to incorporation. Refer to Note 4 to the consolidated financial statements.*

We typically generate operating losses in the fourth fiscal quarter due to lower operating revenues and higher operating expenses. Operating revenues are negatively impacted by incentives to members, based on member contributions to regional operating results for the entire fiscal year. Operating expenses tend to be higher as a result of advertising initiatives oriented toward our peak holiday period at the end of the calendar year, as well as summer Olympics spending and other advertising and sponsorship activities.

Operating revenues in the fourth quarter of fiscal 2005 were reduced by $115.4 million for member incentives. The member incentives in the fourth quarter of 2005 were $46.1 million higher than member incentives recognized in the fourth quarter of 2004. The increase in incentives in the fourth quarter of 2005 was related to AP's repricing program enacted in fiscal 2005, as well as a program in LAC to reward members for favorable fiscal 2005 CSV growth and operating results in the region. The impact of higher member incentives in the quarter was offset by higher levels of international service revenues and data processing fees, which increased 21.4% and 19.7%, respectively. Total service fees (before member incentives) were 13.6% higher in the fourth quarter of 2005 as compared to 2004.

Operating expenses in the fourth quarter of fiscal 2005 included a benefit of $44.6 million from the evaluation of the settlement risk guarantee. Excluding this change, operating expenses would have increased $12.2 million, or 3.7%, in the fourth quarter of fiscal 2005 as compared to the same period of 2004. Advertising and promotion expense increased $21.9 million, or 21.4%, due to higher spending in AP for consumer-oriented advertising as well as production costs related to the revitalization of the Visa brand.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

(In thousands, except as noted)

The following discussion about our market risk involves forward-looking statements. Market risk is the potential for economic losses from changes in market factors such as foreign currency exchange rates, credit, interest rates and equity prices. Actual results could differ materially from those projected in the forward-looking statements.

We are exposed to market risk related to changes in foreign currency exchange rates, interest rates and equity prices. Management establishes and oversees the implementation of policies, which have been approved by the Board of Directors, governing funding, investments and the use of derivative instruments. We do not hold or enter into derivatives or other financial instruments for trading or speculative purposes. We monitor aggregate risk exposures on an ongoing basis and do not consider our cash and cash equivalents to be subject to interest rate risk due to the short period of time to maturity.

Foreign Currency Risk

We conduct business in several currencies. As such, we are exposed to adverse movements in foreign currency exchange rates. Our exposure to foreign currency rate fluctuations is primarily related to non-U.S. dollar denominated revenues and expenses from and to foreign members and vendors and our settlement activities which involve the U.S. dollar and sixteen other currencies.

We manage these risks by utilizing foreign currency forward and option contracts to limit the variability in expected future cash flows of certain foreign currency transactions. We primarily designate our foreign currency contracts as derivatives to hedge a portion of foreign exchange exposures associated with firm committed transactions and predictable anticipated exposures. Our foreign currency risk management program reduces, but does not entirely eliminate, the impact of foreign currency exchange rate movements. Refer to Note 17 to the consolidated financial statements included herein for further discussion of foreign currency risk.

We are subject to foreign exchange risk in our settlement activities. This risk arises from the timing of rate setting for settlement with member institutions relative to timing of market trades for balancing currency positions.

Interest Rate Risk

Interest rate risk occurs when the pricing of interest-earning assets and interest-bearing liabilities differ. We are exposed to interest rate risk primarily through short-term investments included in cash equivalents, available-for-sale debt securities, and borrowing activities. Our short-term investments consist primarily of high quality debt securities, as specified in our treasury policy. Investments in fixed rate instruments carry a degree of interest rate risk. The fair value of fixed rate securities may be adversely impacted due to a rise in interest rates. Additionally, a falling rate environment creates reinvestment risk because as securities mature the proceeds are reinvested at a lower rate, generating less interest income. Because we have historically had the ability to hold our short-term investments until maturity and the substantial majority of our investments mature within one year of purchase, we do not expect our operating results or cash flows to be materially impacted by a sudden change in market interest rates. The ALCO is responsible for managing any interest rate risk consistent with treasury policy requirements. Notwithstanding the efforts to manage interest rate risks, there can be no assurances that there will be adequate protection against the risks associated with interest rate fluctuations.

We have various credit facilities to provide liquidity in the event of member settlement failures and other operational needs. These credit facilities have variable rates, which are applied to borrowings based on terms and conditions set forth in each agreement. There were no amounts outstanding at September 30, 2005 and 2004 under these credit facilities.

Equity Risk

We maintain short-term money market investments and other marketable securities that are used to fund certain long-term executive compensation plans. These investments are classified as trading assets and are reported at fair value using quoted market values. To the extent these investments increase or decrease in value, an offset is recorded in the statement of

operations in non-operating income (expense), net. We manage the income statement volatility by matching the trading portfolio to the long-term executive compensation plans to the extent possible. We did not have a related material impact on our financial results for the years ended September 30, 2005, 2004 and 2003.

AUDIT, RISK AND FINANCE COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES

The Audit, Risk and Finance Committee ("Committee") is responsible for appointing, setting compensation for and overseeing the work of the Company's independent auditor, KPMG LLP. The Committee has established a policy requiring the pre-approval of all audit and permissible non-audit services provided by KPMG LLP. The Committee will consider and, if appropriate, pre-approve annually the engagement of KPMG LLP to perform audit and other allowable services for the Company. The Committee will also consider and, if appropriate, pre-approve specific requests for defined audit and non-audit services provided by KPMG LLP that are of a recurring nature and are allowable based on the policy. Subsequent re-approval by the Committee for changes in the scope of pre-approved services is not necessary unless the scope changes result in fee increases. The Committee will review summary reports detailing actual fees incurred and services provided by the independent auditor after the services have been performed. When determining whether to pre-approve fees for services other than audit and audit-related services, the Committee considers whether the provision of the service would impair KPMG LLP's independence with respect to the Company. No member of the Committee has the delegated authority to pre-approve services on the Committee's behalf.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

(In thousands)

The Company incurred the fees shown in the following table for professional services provided by KPMG LLP for 2005 and 2004:

Years Ended September 30,	2005	2004[4]
Audit fees[1]	$1,351	$1,113
Audit-related fees[2]	160	262
Tax fees[3]	971	1,985
All other fees	–	–
Total	$2,482	$3,360

[1] *Consists of fees for professional services rendered in connection with the audit of the Company's annual financial statements. Also included are services related to local statutory audits. 2004 included an audit fee relating to the closing balance sheet of the EU region in connection with the EU incorporation. Refer to Note 4 to the consolidated financial statements.*

[2] *Consists of fees related to audits of employee benefit plans, and the review of internal controls for selected information systems and business units (SAS 70 audits). Also included are services related to web trust certifications.*

[3] *Consists of fees for tax advisory services in connection with the preparation of tax returns, other tax compliance activities, tax planning and expatriate tax services.*

[4] *Fees in 2004 include the EU region for nine months of the fiscal year prior to the incorporation. Refer to Note 4 to the consolidated financial statements.*

The Audit, Risk and Finance Committee of Visa International's Board has selected KPMG LLP as our independent auditors, to audit the accounts of the Company and its subsidiaries for the year ending September 30, 2006.



2005

VISA INTERNATIONAL FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Visa International

We have audited the accompanying consolidated balance sheets of Visa International and Subsidiaries (the Company) as of September 30, 2005 and 2004, and the related consolidated statements of operations, changes in members' equity, comprehensive income, and cash flows for each of the years in the three-year period ended September 30, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Visa International and Subsidiaries as of September 30, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 2005 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

San Francisco, California
December 14, 2005

VISA INTERNATIONAL AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands)

September 30,	2005	2004
Assets		
Cash and cash equivalents	$ 476,964	$ 303,837
Settlement due from members	448,712	565,403
Trading assets	73,182	68,837
Investment securities, available-for-sale	9,267	110,069
Member collateral	288,811	279,314
Accounts receivable, net of allowances of $2,155 and $3,006 for 2005 and 2004, respectively	58,687	56,419
Prepaid expenses and other current assets	82,599	60,360
Current portion of deferred income taxes, net	30,613	30,118
Total Current Assets	1,468,835	1,474,357
Premises and equipment, net	173,179	183,761
Investments in real estate joint ventures	21,917	21,847
Intangibles, net	52,928	51,503
Long-term deferred income taxes, net	7,617	23,733
Other assets	43,480	33,981
Total Assets	$1,767,956	$1,789,182
Liabilities, Minority Interest and Members' Equity		
Trade and accrued taxes payable	$ 49,857	$ 59,618
Settlement due to members	443,190	578,168
Member collateral	288,811	279,314
Accrued compensation and benefits	153,922	158,425
Accrued and other liabilities	212,394	188,329
Total Current Liabilities	1,148,174	1,263,854
Long-term debt	39,904	39,879
Other liabilities	44,432	24,501
Total Liabilities	1,232,510	1,328,234
Commitments and contingencies — refer to Note 21		
Minority interest — refer to Note 20	–	7,000
Members' Equity		
Accumulated net income	535,660	452,459
Accumulated other comprehensive (loss) income	(214)	1,489
Total Members' Equity	535,446	453,948
Total Liabilities, Minority Interest and Members' Equity	$1,767,956	$1,789,182

See accompanying notes to the consolidated financial statements.

VISA INTERNATIONAL AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands)

Years Ended September 30,	2005	2004[1]	2003[2]
Operating Revenues			
Service fees	$ 453,633	$ 471,175	$ 466,370
International service revenues	359,075	423,913	394,537
Data processing fees	206,489	322,791	313,815
Card recovery bulletin fees	28,878	52,118	70,753
Other revenues	114,241	157,005	123,902
Total Operating Revenues	1,162,316	1,427,002	1,369,377
Operating Expenses			
Personnel	303,693	390,310	375,506
Affiliates services	183,511	245,543	261,556
Premises, equipment and software	104,130	140,837	154,552
Communications	31,833	52,318	41,897
Professional and consulting services	98,721	124,552	108,738
Advertising and promotion	284,973	297,989	280,489
Travel and meetings	45,530	52,564	50,268
Other expenses	32,482	49,876	49,617
Settlement risk guarantee	(44,602)	95	129
Total Operating Expenses	1,040,271	1,354,084	1,322,752
Operating income	122,045	72,918	46,625
Non-operating income (expense), net	20,025	(5,211)	(6,059)
Income before provision for income taxes	142,070	67,707	40,566
Provision for income taxes	58,869	35,418	23,141
Income from continuing operations	83,201	32,289	17,425
Income from discontinued operations, net of taxes of $1,036	–	–	1,555
Net income	$ 83,201	$ 32,289	$ 18,980

[1] *Fiscal 2004 includes results of the EU region only for the nine-month period ended June 30, 2004 prior to the EU region incorporation.*

[2] *Fiscal 2003 includes results of the EU region for the entire year.*

See accompanying notes to the consolidated financial statements.

VISA INTERNATIONAL AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

(In thousands)

	Accumulated Net Income	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at September 30, 2002	$401,190	$(21,060)	$380,130
Net income	18,980	–	18,980
Other comprehensive income, net of tax	–	22,312	22,312
Balance at September 30, 2003	420,170	1,252	421,422
Net income	32,289	–	32,289
Other comprehensive income, net of tax	–	237	237
Balance at September 30, 2004	452,459	1,489	453,948
Net income	83,201	–	83,201
Other comprehensive loss, net of tax	–	(1,703)	(1,703)
Balance at September 30, 2005	$535,660	$ (214)	$535,446

See accompanying notes to the consolidated financial statements.

VISA INTERNATIONAL AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	2005	2004	2003
Net Income	$83,201	$32,289	$18,980
Other comprehensive (loss) income, net of tax:			
Net unrealized gains on investment securities, available-for-sale	754	294	136
Reclassification adjustment for net realized gains	(1,091)	(10)	(2)
Minimum pension liability adjustment	–	–	22,188
Net unrealized losses on derivative instruments	(1,366)	(47)	(10)
Other comprehensive (loss) income, net of tax	(1,703)	237	22,312
Comprehensive Income	$81,498	$32,526	$41,292

See accompanying notes to the consolidated financial statements.

VISA INTERNATIONAL AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

Years Ended September 30,	2005	2004	2003
Operating Activities			
Net income	$ 83,201	$ 32,289	$ 18,980
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	32,986	45,861	53,946
Net realized (gains) losses on investments and other	(9,563)	742	632
Change in value of settlement risk guarantee	(44,616)	–	–
Deferred income taxes	16,665	25,936	(11,000)
Change in operating assets and liabilities:			
Settlement due from members	116,691	264,128	(231,149)
Accounts receivable	(2,268)	10,514	62,310
Trading assets	(4,345)	7,144	(24,581)
Prepaid and other assets	(24,637)	78,330	6,244
Trade and accrued taxes payable	(9,761)	(44,695)	(23,354)
Settlement due to members	(134,978)	(249,243)	258,999
Accrued compensation and benefits	(4,503)	(19,401)	(76,090)
Accrued and other liabilities	88,612	(165,570)	86,018
Net cash provided by (used in) operating activities	103,484	(13,965)	120,955
Investing Activities			
Investment securities, available-for-sale:			
Purchases	(43,334)	(212,976)	(137,731)
Proceeds from maturities and sales	144,540	132,804	176,955
Purchases of premises, equipment and software	(24,287)	(44,178)	(187,406)
Proceeds from sale of premises and equipment	375	188	5,289
Proceeds from sale of Inovant, Inc.	–	–	67,860
Distributions from real estate joint ventures	–	–	2,555
Purchases of non-marketable securities	(6,469)	(1,407)	(5,224)
Distributions from non-marketable securities	7,018	2,126	–
Settlement of intercompany balances with EU upon incorporation	–	(20,257)	–
Transfer of EU's premises, equipment and software	–	68,100	–
Net cash provided by (used in) investing activities	77,843	(75,600)	(77,702)
Financing Activities			
Proceeds from short-term borrowings	2,184,638	1,834,724	49,998
Payments on short-term borrowings	(2,184,638)	(1,834,724)	(49,998)
Redemption of preferred shares	(8,200)	–	–
Payments on current portion of long-term debt	–	(5,000)	–
Net cash used in financing activities	(8,200)	(5,000)	–
Increase (decrease) in cash and cash equivalents	173,127	(94,565)	43,253
Cash and cash equivalents at beginning of year	303,837	398,402	355,149
Cash and cash equivalents at end of year	$ 476,964	$ 303,837	$ 398,402
Supplemental Disclosure of Cash Flow Information			
Income taxes paid	$ 42,031	$ 33,101	$ 78,868
Interest paid	$ 4,962	$ 13,094	$ 11,796

See accompanying notes to the consolidated financial statements.

VISA INTERNATIONAL AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except as noted)

Note 1 — Organization

Visa International Service Association (hereafter referred to as "Visa International" or the "Company") is a nonstock, nonassessable Delaware membership corporation. It administers a global payments system that enables consumers and businesses to buy and sell goods and services in a way that helps its members achieve their business goals. Membership is comprised of financial institutions participating in this system (collectively, the "members"). Worldwide policy is administered by the Company's Board of Directors. The Company has established regional Boards of Directors for its Asia Pacific ("AP") region, Central and Eastern Europe, Middle East and Africa ("CEMEA") region and Latin America and Caribbean ("LAC") region. The regional Boards govern such matters as regional policy, development of new services, admission of new members, establishment of regional fees, authorization of expenditures and adoption of regional regulations. Visa U.S.A. Inc. ("Visa U.S.A."), Visa Europe Limited ("Visa Europe") and Visa Canada Association ("Visa Canada") are separately incorporated regional group members of the Company and each is represented by its own Board of Directors. On July 1, 2004, the European Union region ("EU region") was incorporated and became Visa Europe, a group member of the Company (refer to Note 4). The Company's consolidated financial statements do not include the results of Visa U.S.A., Visa Europe and Visa Canada.

Note 2 — Significant Accounting Policies

Accounting principles — The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("U.S.").

Principles of consolidation — The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Minority interest is recorded for consolidated entities in which the Company owns less than 100% of the interest and represents the equity interest not owned by the Company. Upon consolidation, all significant intercompany accounts and transactions are eliminated.

Cash and cash equivalents — Cash and cash equivalents include cash and certain highly liquid investments with original maturities of ninety days or less from the date of purchase. Cash equivalents are recorded at cost, which approximates fair value.

Investments — The Company uses the equity method of accounting for investments in other entities, including joint ventures, when it holds between 20% and 50% ownership in the entity or when it exercises significant influence. The equity method of accounting is also utilized for flow-through entities such as limited partnerships and limited liability companies when the investment ownership percentage is equal to or greater than 5% of outstanding ownership interests, regardless of whether the Company has significant influence over the investees. Under this method, the Company's share of each entity's net income or loss is included in non-operating income (expense), net, on the consolidated statements of operations. The Company accounts for investments in entities under the historical cost method of accounting when it holds less than 20% ownership in the entity, or for flow-through entities when the investment ownership is less than 5%, and does not exercise significant influence. These investments consist of equity holdings in non-public companies and are recorded in other assets on the consolidated balance sheets.

Investment securities, available-for-sale, are held to meet investment objectives such as liquidity management and to promote business and strategic objectives. These securities are carried at fair value based on quoted market values. Unrealized gains and losses, net of applicable taxes, are recorded as a separate component of accumulated other comprehensive income on the consolidated balance sheets. Net realized gains and losses are determined on a specific identification basis and are included in non-operating income (expense), net, on the consolidated statements of operations. Interest and dividends, including amortization of premiums and accretion of discounts, are recorded in non-operating income (expense), net, on the consolidated statements of operations.

The Company regularly reviews its investments for impairment and recognizes a charge when the fair value is below the cost basis and the decline is judged to be other-than-temporary. The fair value review typically includes an analysis of the facts and circumstances of each investment, the expectations for the investment's cash flows and capital needs, and the viability of its business model. The Company considers various factors in determining whether to recognize an impairment charge, including the length of time and extent to which the fair value has been less than the Company's cost basis, the financial condition and near-term prospects of the investee, and the Company's intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in fair value.

Settlement due from/due to members — Settlement due from and due to members reflects the Company's operation of systems for clearing and settling member payment transactions. Settlements generally clear daily among members. However, international transactions involving foreign currency typically do not settle until subsequent business days, resulting in amounts due from and due to members. The settlement amounts are stated at cost and are presented on a gross basis on the consolidated balance sheets.

Member collateral — The Company holds cash deposits from certain members in order to ensure their performance of settlement obligations arising from card and travelers cheque product clearings. These collateral assets are fully offset by corresponding liabilities and both balances are included on the consolidated balance sheets.

Trading assets and deferred compensation liabilities — The Company maintains short-term money market investments and other marketable securities related to certain long-term executive compensation plans. These investments are classified as trading assets and are reported at fair value using quoted market prices or broker quotes. Net realized and unrealized gains and losses, interest and dividends are included in non-operating income (expense), net, in the consolidated statements of operations. The specific identification method is used to determine realized gains and losses. The Company has deferred compensation liabilities which are indexed to certain investments. Changes in the fair value of the obligations related to vested benefits are included in non-operating income (expense), net, on the consolidated statements of operations.

Premises and equipment, net — Premises and equipment are recorded at historical cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	10 to 40 years
Furniture and fixtures	3 to 10 years
Computer equipment	3 to 5 years
Leasehold improvements	Shorter of lease life or 10 years

Assets acquired under capital leases are amortized using the straight-line method over the shorter of the lease term or the asset category noted above. Fully depreciated assets are retained in premises, equipment and accumulated depreciation accounts until removed from service. Costs for maintenance and repairs are charged to expense as incurred, while major improvements are capitalized and depreciated ratably to expense over the identified useful life.

Intangibles, net — The Company initially records intangible assets at cost and assigns a useful life to each asset. Intangible assets consist of capitalized software costs and other intangible assets, all of which have finite lives. The intangible assets are amortized on a straight-line basis over the following estimated useful lives:

Capitalized software	3 to 5 years
Other	3 to 10 years

Capitalized software includes internal and external costs incurred when developing or purchasing computer software for internal use, and is capitalized in intangible assets on the consolidated balance sheets. Internal and external costs incurred during the preliminary project stage are expensed as incurred until it is probable the project will be completed and the software will be used to perform the function intended. Thereafter, all qualifying costs incurred during the application development stage are capitalized, and upon the project being substantially completed and ready for its intended use, are amortized using the straight-line method over the estimated useful life of the software, not to exceed five years. Qualifying costs include external direct costs of materials and services consumed when developing or obtaining the applications, and payroll and payroll-related costs for employees who are directly associated with developing the applications. All other costs incurred in connection with software developed for internal use are expensed as incurred.

Impairment of long-lived assets — The Company evaluates long-lived assets, such as premises and equipment and finite-lived identifiable intangibles, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, a charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented on the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The Company had no impairment charges in the years ended September 30, 2005, 2004 and 2003.

Asset retirement obligations — The Company accounts for asset retirement obligations for certain leased properties. The fair value of a liability for the obligation is determined by calculating the present value of expected cash flows which will be incurred to retire the leasehold improvements. When the liability is initially recorded, the Company capitalizes the cost by increasing the related asset carrying amount. Over time, the liability is accreted to its original obligation with the accretion expense recorded in non-operating income (expense), net, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the Company will either settle the obligation for its recorded amount or incur a gain or loss. As of September 30, 2005 and 2004, asset retirement obligations did not have a material impact on the Company's consolidated financial position or results of operations.

Revenue recognition — The Company's revenue is comprised principally of service fees, data processing fees and international service revenues. Service fees predominantly represent payments by members with respect to their card programs carrying marks of the Visa brand. Service fees are based on quarterly spending for goods and services using Visa branded products, as reported on member quarterly operating statements, and are recognized ratably over the quarter. Data processing fees represent user fees for authorization, clearing, settlement and other maintenance and support services that facilitate transaction and information processing among the Company's members globally. International service revenues are generated when cardholders purchase goods and services with their cards in cross-border transactions (a cross-border transaction occurs when the cardholder's Issuer country is different from the merchant country). Both data processing fees and international service revenues are recognized in the period in which the transactions occur or services are rendered.

The Company has agreements with certain members and merchants to provide volume-based and support incentives. These incentives are accrued based on management's estimate of the members' or merchants' performance in a given period according to provisions in the agreements. Incentives that meet the guidance of Emerging Issue Task Force ("EITF") Issue No. 01-9, *"Accounting for Consideration Given by a Vendor to a Customer (including a Reseller of the Vendor's Products),"* are recorded as reductions of revenue in the same period as the related revenue is earned.

Advertising and promotion costs — The costs of media advertising are expensed when the advertising takes place. Production costs are expensed as incurred. Promotional items are expensed at the time the promotional event occurs.

Income taxes — The Company accounts for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In assessing the realizability of the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. A valuation allowance is recorded for the portions that are not expected to be realized based on the level of historical taxable income, projections of future taxable income over the periods in which the temporary differences are deductible, and allowable tax planning strategies.

Pension and postretirement plans — The Company accounts for its defined benefit pension and postretirement plans within the framework of Statement of Financial Accounting Standards ("SFAS") No. 87, *"Employer's Accounting for Pensions,"* and SFAS No. 106, *"Employer's Accounting for Postretirement Benefits Other than Pensions,"* respectively. The plans are actuarially evaluated, which includes the use of several assumptions. Critical assumptions include the discount rate and the expected rate of return on plan assets (for qualified pension plans), which are important elements of expense and/or liability measurement. Other assumptions involve demographic factors such as retirement, mortality, turnover and the rate of compensation increases. The Company evaluates assumptions annually and modifies the assumptions as appropriate.

The Company uses a discount rate to determine the present value of its future benefit obligations. The discount rate is based on matching the duration of other corporate bond pools to the expected payment stream.

To determine the expected long-term rate of return on pension plan assets, the Company considers the current and expected assets allocation, as well as historical and expected returns on each plan asset class. A lower expected rate of return on pension assets will increase pension expense. Any difference between actual and expected plan experience, including asset return experience in excess of the 10% corridor around the larger of assets or liabilities, is recognized in the net periodic pension calculation over the expected average employee future service, approximately 12 years. The gains and losses of certain smaller nonqualified pension plans are recognized immediately in the year in which they occur.

Foreign currency — For each of the Company's foreign operations, the functional currency is the U.S. dollar. Transactions denominated in currencies other than the U.S. dollar are converted to U.S. dollars at the spot rate on the transaction date. Monetary assets and liabilities denominated in non-U.S. currencies are remeasured to U.S. dollars using current exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities denominated in non-U.S. currencies are remeasured to U.S. dollars at historical exchange rates.

Foreign currency transaction gains and losses are a result of the effect of exchange rate changes on transactions denominated in currencies other than the functional currency. Transaction gains and losses are recognized currently in earnings in other expenses.

Derivative financial instruments — The Company enters into foreign exchange forward and option contracts to manage the variability in expected future cash flows of certain foreign currency transactions attributable to changes in foreign exchange rates. These derivative contracts are denominated in the foreign currency in which the exposures are denominated. All derivatives, whether designated in hedging relationships or not, are recorded on the consolidated balance sheets at fair value in other current assets and accrued and other liabilities. The Company designates the majority of these derivative instruments as hedges based upon U.S. GAAP criteria.

Changes in the fair value of a derivative that is highly effective, and that is designated and qualifies as a foreign currency cash flow hedge, are recorded as a component of accumulated other comprehensive income (loss) until gains and losses on the hedged transaction are recognized in earnings. Any hedge ineffectiveness is recorded in current period earnings in other expenses. Changes in the fair value of derivative instruments which are foreign currency fair value hedges or which do not qualify for hedge accounting are reported in current period earnings in other expenses.

The Company formally documents all relationships between hedging transactions and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions for all derivatives which qualify for hedge accounting. This process includes linking all derivatives that are designated as foreign currency cash flow hedges to forecasted transactions. The Company also formally assesses (both at the hedge's inception and on an ongoing basis) whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair value or cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. The Company assesses effectiveness of foreign exchange forward and option contracts based on changes in the fair value of the contract compared to changes in the fair value of the hedged transaction. If and when it is determined that a derivative is no longer expected to be highly effective, hedge accounting is discontinued.

Warrants received in connection with equity investments in non-public companies are considered derivative financial instruments if they can be net settled without cash. These warrant securities are not designated as hedging instruments, and are included in other assets at fair value, with changes in fair value recognized in other non-operating income (expense), net, during the period of change. Fair value is estimated using a standard option pricing model.

Guarantees and indemnifications — A liability is recognized upon the issuance of certain guarantees and indemnifications, including the ongoing obligation to stand ready to perform over the term of the guarantee. The liability is measured at its fair value, with changes in fair value included in settlement risk guarantee and other expenses on the consolidated statements of operations.

Use of estimates — The preparation of the accompanying financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include valuation of investments, pension costs, member incentives, legal contingencies, guarantees and indemnifications, and deferred tax assets. Actual results could differ materially from these estimates and assumptions.

Reclassifications — Certain reclassifications have been made to prior years' balances in order to conform to fiscal 2005 presentation.

Note 3 — Recent Accounting Pronouncements

Recently Adopted Accounting Standards

In May 2003, the Financial Accounting Standards Board ("FASB") issued SFAS No. 150, *"Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity."* SFAS No. 150 establishes standards for how a company classifies and measures certain financial instruments with characteristics of both liabilities and equity. This statement was originally effective for nonpublic entities for fiscal periods beginning after December 15, 2003. However, on November 7, 2003, the FASB issued FASB Staff Position ("FSP") No. 150-3 which extended the effective date for SFAS No. 150 by one year for instruments issued by nonpublic entities that are mandatorily redeemable on fixed dates for amounts that are fixed. The Company early adopted the provisions of this statement in fiscal 2005. The adoption of SFAS No. 150 did not have a material impact on the Company's financial statements (refer to Note 20).

In December 2003, the FASB issued FASB Interpretation No. ("FIN") 46R, *"Consolidation of Variable Interest Entities,"* a revision to the original FIN No. 46 issued in January 2003. Under FIN 46R, an entity that has a controlling financial interest in a variable interest entity ("VIE") is designated as the primary beneficiary of the entity, and the assets, liabilities and results of activities of the VIE should be included in the consolidated financial statements of the primary beneficiary. FIN 46R defines a VIE as an entity that does not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties, or in which the equity investors in the entity do not have the characteristics of a controlling financial interest.

The Company adopted FIN 46R during fiscal 2005. Based on consideration of both qualitative and quantitative factors as prescribed by FIN 46R, the Company concluded that it has investments in four VIEs. The Company is not the primary beneficiary of any of these entities. In one case, it was concluded that although the Company is not the primary beneficiary, it does have a significant variable interest in a VIE. This entity is involved in the development of processing services for smart cards in Egypt. The Company's variable interests in this entity at September 30, 2005, which consist of an equity investment, a note receivable and a lease guarantee, are not material to the Company's financial statements.

Recently Issued Accounting Standards

In December 2004, the FASB issued FSP No. 109-2, *"Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004"* ("AJCA"). FSP No. 109-2 provides accounting and disclosure guidance with respect to the repatriation of certain foreign earnings to a U.S. taxpayer as provided for in the AJCA. The Company is in the process of evaluating the effects, if any, of the repatriation provision included in the AJCA, and accordingly has not adjusted its tax expense. The range of possible amounts of unremitted earnings and the related income tax effects cannot be reasonably estimated at this time but the analysis of the ramifications of the repatriation provision should be completed in fiscal 2006.

In March 2005, the FASB issued FIN 47, *"Accounting for Conditional Asset Retirement Obligations."* FIN 47 clarifies that the term "conditional asset retirement obligation," as used in SFAS No. 143, *"Accounting for Asset Retirement Obligations,"* refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. FIN 47 is effective for the fiscal year ending September 30, 2006. The Company plans to adopt FIN 47, if applicable, and does not anticipate any material impact to its consolidated financial statements.

In May 2005, the FASB issued SFAS No. 154, *"Accounting Changes and Error Corrections,"* a replacement of Accounting Principles Board ("APB") Opinion No. 20 and SFAS No. 3. SFAS 154 establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. This Statement applies to all voluntary changes in accounting principle. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company plans to adopt SFAS 154, if applicable, and does not anticipate any material impact to its consolidated financial statements.

In June 2005, the FASB issued FSP No. 143-1, *"Accounting for Electronic Equipment Waste Obligations."* FSP No. 143-1 addresses the accounting for obligations associated with Directive 2002/96/EC on Waste Electronic Equipment adopted by the European Union. FSP No. 143-1 is effective the later of the first reporting period ending after June 8, 2005 or the date of the adoption of the law by the applicable EU-member country. The Company plans to adopt FSP No. 143-1, if applicable, on October 1, 2005 and does not anticipate any material impact to its consolidated financial statements.

In June 2005, the EITF issued EITF No. 05-6, *"Determining the Amortization Period for Leasehold Improvements Purchased after Lease Inception or Acquired in a Business Combination."* This consensus requires leasehold improvements acquired in a business combination or purchase, significantly after the inception of the lease, to be amortized over the lesser of the useful life of the asset or the lease term that includes reasonably assured lease renewals as determined on the date of the acquisition of the leasehold improvement. EITF 05-6 is effective prospectively for the first reporting period beginning after June 29, 2005. The Company plans to adopt EITF 05-6, if applicable, and does not anticipate any material impact to its consolidated financial statements.

Note 4 — Incorporation of EU Region

In October 2001, the Company's Board of Directors passed a resolution approving the incorporation of the EU region and its admission as a regional group member of the Company. Actual incorporation was subject to favorable tax rulings and no adverse financial effects on the Company. Final Board approval was granted and Visa International's EU region was separately incorporated in Delaware on July 1, 2004 as Visa Europe Services Inc. ("VESI"). Upon incorporation, the members within the EU region of Visa International Service Association gave up their membership in the Company and became direct members of Visa Europe, a newly formed United Kingdom private limited company. VESI is a wholly-owned subsidiary of Visa Europe.

Upon incorporation, the Company transferred all of the assets and liabilities of the EU region to VESI. No gain or loss was recorded as a result of this transaction. A summary of the EU region's balance sheet at June 30, 2004 is as follows:

	June 30, 2004
Assets	
Cash and cash equivalents	$ 10,794
Accounts receivable and other current assets	78,654
Premises and equipment and intangibles, net	84,284
Other assets	42,742
Total Assets	$216,474
Liabilities and Accumulated Other Comprehensive Income	
Accrued and other current liabilities	$152,413
Other liabilities	63,103
Total liabilities	215,516
Accumulated other comprehensive income	958
Total Liabilities and Accumulated Other Comprehensive Income	$216,474

The consolidated balance sheets of the Company at September 30, 2005 and 2004 do not reflect balances of the EU region.

The consolidated statements of operations of the Company for the years ended September 30, 2004 and 2003 reflect the following amounts related to the EU region:

Years Ended September 30,	2004*	2003
Operating revenues	$ 386,630	$ 416,585
Visa International fees	(96,028)	(117,782)
Operating expenses	(283,663)	(299,409)
Non-operating (expenses) income, net	(4,676)	1,659
Income before income taxes	$ 2,263	$ 1,053

* *Fiscal 2004 reflects the nine-month period ended June 30, 2004 prior to the incorporation.*

In October 2001, the Company entered into a twenty-year lease agreement for premises to be occupied by the EU and CEMEA regions. As of July 1, 2004, the entire lease was assigned to VESI with the Company acting as a guarantor to the landlord as required by United Kingdom property law under the existing lease. In the event of a default by VESI, the Company is obligated to make lease payments. The base rent commitment is £7.5 million each year or $13.2 million in U.S. dollars (based on the September 30, 2005 exchange rate). Rent is allocated based on the square footage occupied by the tenants and was 81.1% for VESI and 18.9% for the CEMEA region at September 30, 2005. VESI agreed to reimburse the Company for any liabilities that may arise under the Company's guarantee to the landlord. The impact of this guarantee is not material to the Company's consolidated financial position or results of operations, and accordingly no liability was recorded at September 30, 2005 and 2004.

Note 5 — Inovant (Including Discontinued Operations)

Inovant, Inc. ("Inovant") was separately incorporated in April 2000 to provide worldwide transaction processing services and systems development. In October 2002, the Company's Board of Directors passed a resolution approving the sale of Inovant to Visa U.S.A. and the subsequent formation of Inovant LLC. This sale supports the Company's strategy of building distributed processing capabilities to serve diverse regional markets more efficiently and effectively. The sale of Inovant and the subsequent formation of Inovant LLC closed in January 2003, with Visa U.S.A. becoming the majority shareholder and with Visa Canada and the Company's AP and LAC regions each holding 5% minority interests.

The sale price of $67.9 million was based upon the net book value of assets of $152.0 million less liabilities of $84.1 million at December 31, 2002, and no gain or loss was recorded as a result of the sale.

The sale of Inovant represents the disposal of a business segment under SFAS No. 144. Accordingly, the accompanying consolidated statements of operations reflect Inovant as a discontinued operation for the year ended September 30, 2003. Operating results of the discontinued operation were as follows:

Year Ended September 30,	2003*
Total revenues	$160,268
Total expenses	157,677
Income before income taxes	2,591
Income tax expense	1,036
Net income from discontinued operations	$ 1,555

* *Fiscal 2003 reflects the three-month period ended December 31, 2002 prior to the sale.*

In September 2005, the Company purchased an additional 6% interest in Inovant LLC from Visa U.S.A. At September 30, 2005, the Company's carrying value of its 16% investment in Inovant LLC was $11.6 million, which is accounted for under the equity method (refer to Note 2) and is included in other assets on the consolidated balance sheets.

Note 6 — Visa Affiliates

Visa U.S.A., Visa Europe and Visa Canada are separately incorporated regional group members of Visa International. The results of their operations are not consolidated with those of the Company (other than as discussed in Note 4). The Company provides global brand management, global product enhancements, management of global system development and interoperability, and corporate support to all three group members. Compensation for these services is based on fees

ratified by the Company's Board of Directors. The Company is a party to numerous agreements with these Visa affiliates which allow each company to provide services to the other at negotiated fees. The Company earned total fees from these affiliates for the years ended September 30, 2005, 2004 and 2003 as follows:

Years Ended September 30,	2005	2004	2003
Service fees			
Visa U.S.A.	$168,455	$196,297	$214,061
Visa Europe	117,060	33,482	–
Visa Canada	15,066	16,212	18,336
Total service fees	$300,581	$245,991	$232,397
Data processing fees			
Visa U.S.A.	$ 2,392	$ 2,246	$ 2,469
Visa Europe	1,946	410	–
Visa Canada	181	149	121
Total data processing fees	$ 4,519	$ 2,805	$ 2,590
Total fees	$305,100	$248,796	$234,987

The Company has agreements with Inovant LLC, a majority owned subsidiary of Visa U.S.A., for processing worldwide transactions and other services, primarily related to system development in support of Visa branded products and services. Total expenses for these services, recorded as affiliates services on the consolidated statements of operations, were $183.5 million, $245.5 million and $261.6 million for the years ended September 30, 2005, 2004, and 2003, respectively. Included in affiliates services for fiscal 2005 is a reduction of expense totaling $12.3 million for a one-time pricing related settlement from Inovant LLC.

The CEMEA region is a party to numerous agreements with Visa Europe which allow each entity to provide services to the other at negotiated fees. One such arrangement is related to the twenty-year lease agreement for premises to be occupied by both Visa Europe and the CEMEA region (refer to Note 4). In fiscal 2005 and 2004, the CEMEA region paid Visa Europe $6.8 million and $2.0 million, respectively for premises and various other services.

At September 30, 2005 and 2004, the Company had the following due from/due to Visa affiliates amounts included in accounts receivable and accrued and other liabilities on the consolidated balance sheets:

September 30,	2005	2004
Due from Visa Affiliates		
Visa U.S.A.	$ –	$ 1,103
Visa Europe	9,535	14,457
Visa Canada	107	428
Total due from Visa Affiliates	$ 9,642	$15,988
Due to Visa Affiliates		
Visa U.S.A.	$ 6,336	$ –
Inovant LLC	22,375	19,525
Total due to Visa Affiliates	$28,711	$19,525

In addition, at September 30, 2005, other liabilities included a note payable to Visa U.S.A. for $16.4 million related to California income taxes.

Note 7 — Investments

Trading Assets and Deferred Compensation Liabilities

The Company maintains its trading assets portfolio to generate returns related to certain deferred executive compensation plans. Changes in the fair value of trading securities are included in non-operating income (expense), net, on the consolidated statements of operations. The deferred compensation liabilities, included in accrued compensation and benefits, were $67.5 million and $68.3 million at September 30, 2005 and 2004, respectively.

The dividends, net realized gains (losses) and net unrealized gains from trading assets for the years ended September 30, 2005, 2004 and 2003 were as follows:

Years Ended September 30,	2005	2004	2003
Dividends	$1,858	$ 960	$ 759
Net realized gains (losses)	1,745	663	(1,406)
Net unrealized gains	2,251	973	3,321
Total	$5,854	$2,596	$ 2,674

Available-for-Sale Investments

The Company's available-for-sale investment securities consist of U.S. agency debt securities, time deposits, commercial paper and marketable equity investments in public companies. The amortized cost, gross unrealized gains and losses, and fair value of available-for-sale securities at September 30, 2005 and 2004 were as follows:

September 30, 2005	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. agency debt securities	$ 8,100	$ 3	$ –	$ 8,103
Marketable equity securities	–	1,164	–	1,164
Total	$ 8,100	$1,167	$ –	$ 9,267

September 30, 2004	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. agency debt securities	$ 62,284	$ –	$(7)	$ 62,277
Time deposits	24,900	–	–	24,900
Commercial paper	21,175	2	–	21,177
Marketable equity securities	–	1,715	–	1,715
Total	$108,359	$1,717	$(7)	$110,069

Available-for-sale investments, other than marketable equity securities, have maturities of greater than three months but less than one year.

The realized gains and losses from available-for-sale investments for the years ended September 30, 2005, 2004 and 2003 were as follows:

Years Ended September 30,	2005	2004	2003
Gross realized gains	$719	$1,390	$ 7
Gross realized losses	–	–	(2)
Net realized gains	$719	$1,390	$ 5

There were no investment securities in continuous gross unrealized loss positions for greater than twelve months at September 30, 2005, 2004 or 2003.

Other Investments

The Company has other investments accounted for under the cost and equity methods. None of the Company's equity method investments are considered to be significant subsidiaries as neither the investments in the entity nor the equity in the Company's earnings from these unconsolidated subsidiaries exceeded 20% of the Company's total assets or operating income, respectively.

Note 8 — Premises and Equipment, Net

Premises and equipment, net, at September 30, 2005 and 2004 consisted of the following:

September 30,	2005	2004
Land	$ 22,133	$ 22,133
Buildings	119,677	117,784
Furniture, fixtures and leasehold improvements	59,473	55,396
Computer equipment	79,392	85,915
Projects/construction-in-progress	–	269
Total premises and equipment	280,675	281,497
Less: accumulated depreciation	107,496	97,736
Premises and equipment, net	$173,179	$183,761

Depreciation expense associated with premises and equipment was $24.2 million, $37.7 million and $46.3 million for the years ended September 30, 2005, 2004 and 2003, respectively. Of the amount in fiscal 2003, $10.1 million related to Inovant and is included in the results of discontinued operations for the year ended September 30, 2003.

Note 9 — Intangible Assets

Identifiable finite-lived intangible assets at September 30, 2005 and 2004 consisted of the following:

September 30, 2005	Gross Amount	Accumulated Amortization	Net Amount
Capitalized software	$81,290	$28,433	$52,857
Other	5,911	5,840	71
Total	$87,201	$34,273	$52,928

September 30, 2004	Gross Amount	Accumulated Amortization	Net Amount
Capitalized software	$71,775	$20,415	$51,360
Other	5,911	5,768	143
Total	$77,686	$26,183	$51,503

Capitalized software includes both purchased and internally developed software.

Amortization expense associated with finite-lived intangible assets was $8.7 million, $8.2 million and $7.7 million for the years ended September 30, 2005, 2004 and 2003, respectively. Of the amount in fiscal 2003, $1.6 million related to Inovant and is included in the results of discontinued operations for the year ended September 30, 2003.

At September 30, 2005, estimated future amortization expense on finite-lived intangible assets was as follows:

Years Ending September 30,	Estimated Future Amortization Expense
2006	$17,442
2007	17,639
2008	14,236
2009	3,611
2010	–
Thereafter	–
Total	$52,928

Note 10 — Investments in Real Estate Joint Ventures

The Company and Visa U.S.A. invest in real estate joint ventures that own, develop, lease and operate certain facilities and properties used jointly by the Company, Visa U.S.A. and Inovant LLC. The following represents the Company's investments in the joint ventures at September 30, 2005 and 2004:

September 30,	Ownership Percentage	2005	2004
Visa Resources	50.0%	$ 2,016	$ 3,854
Visa Land Management, Inc.	50.0%	352	343
Visa Land Management II, Inc.	50.0%	156	148
Visa Land Development I, L.P.	49.5%	10,012	9,191
Visa Land Development II, L.P.	49.5%	9,381	8,311
Total		$21,917	$21,847

Visa Resources, a California General Partnership, manages and invests in or leases premises and equipment used jointly by the Company, Visa U.S.A. and Inovant LLC. Visa Land Management, Inc. and Visa Land Management II, Inc. manage the interests of Visa Land Development I, L.P. and Visa Land Development II, L.P., respectively, in owned real estate. The Company also owns and leases two buildings in the San Francisco Bay Area to Visa Resources to manage as additional space for the Company, Visa U.S.A. and Inovant LLC. The total lease payments by Visa Resources to the Company for the years ended September 30, 2005, 2004 and 2003 were $14.9 million, $15.2 million and $8.2 million, respectively.

Summarized combined financial information of the real estate joint ventures was as follows:

Combined Balance Sheets

September 30,	2005	2004
Current assets	$ 14,419	$ 14,802
Premises and equipment, net	86,468	90,987
Other assets	1,093	1,206
Total Assets	$101,980	$106,995
Current liabilities	$ 5,632	$ 7,592
Other liabilities	1,519	1,364
Debt	50,605	53,993
Equity	44,224	44,046
Total Liabilities and Equity	$101,980	$106,995

Combined Statements of Operations

Years Ended September 30,	2005	2004	2003
Total revenues	$84,327	$86,800	$84,046
Total expenses	84,139	86,605	83,744
Income before taxes	$ 188	$ 195	$ 302

Visa Resources charges the combined costs of facilities, equipment and other shared services to the Company, Visa U.S.A. and Inovant LLC, based on an agreed-upon methodology. For the years ended September 30, 2005, 2004 and 2003, the Company was allocated $12.4 million, $13.4 million and $20.8 million of these expenses, respectively. These amounts represented 18.9%, 19.9% and 32.4% of total allocated expenses, respectively. Of the amount in fiscal 2003, $9.2 million related to Inovant and is included in the results of discontinued operations for the year ended September 30, 2003.

At September 30, 2005, total future minimum lease payments under combined non-cancelable operating leases with original terms of more than one year were as follows:

Years Ending September 30,	Future Minimum Lease Payments
2006	$10,828
2007	10,986
2008	9,785
2009	9,789
2010	9,830
Thereafter	37,241
Total lease commitments	$88,459

Note 11 — Other Assets and Liabilities

Other Assets

Other assets at September 30, 2005 and 2004 consisted of the following:

September 30,	2005	2004
Other investments	$23,593	$19,004
Investment in Inovant LLC	11,568	6,854
Other	8,319	8,123
Total	$43,480	$33,981

Accrued and Other Liabilities

Accrued and other liabilities at September 30, 2005 and 2004 consisted of the following:

September 30,	2005	2004
Accrued marketing expenses	$106,211	$ 51,296
Accrued operating expenses	67,683	65,983
Due to Visa affiliates	28,711	19,525
Other	9,489	6,609
Settlement risk guarantee	300	44,916
Total	$212,394	$188,329

Other Liabilities

Other liabilities at September 30, 2005 and 2004 consisted of the following:

September 30,	2005	2004
Employee benefits	$24,953	$21,618
Note payable related to California income taxes	16,384	–
Asset retirement obligations	1,558	1,280
Other	1,537	1,603
Total	$44,432	$24,501

Note 12 — Non-Operating Income (Expense), Net

Non-operating income (expense), net, for the years ended September 30, 2005, 2004 and 2003 consisted of the following:

Years Ended September 30,	2005	2004	2003
Interest income	$14,601	$ 5,876	$ 7,640
Interest expense	(7,730)	(11,452)	(16,672)
Dividend income	7,800	1,103	4,092
Equity in earnings of unconsolidated investments and other gains	7,738	5,995	2,918
Equity in losses of unconsolidated investments and impairment charges	(2,301)	(5,197)	(3,650)
(Losses) gains on sale of assets	(83)	(1,011)	138
Minority interest expense	–	(525)	(525)
Total	$20,025	$ (5,211)	$ (6,059)

Note 13 — Debt

Commercial Paper

The Company maintains a commercial paper program to support its working capital requirements and for general corporate purposes. This program allows the Company to issue unsecured debt securities with maturities up to 270 days from the date of issuance at interest rates generally extended to companies with comparable credit ratings. In August 2005, the Company increased its commercial paper program to $500.0 million from $300.0 million. As of September 30, 2005 and 2004, the Company had no outstanding obligations under this program.

Credit Facilities

The Company utilizes revolving credit facilities to provide liquidity in the event of settlement failures by the Company's members, to back up the existing commercial paper program and, in the case of the three-year facility, for general corporate purposes. As of September 30, 2005 and 2004, there were no borrowings under the credit facilities.

During fiscal 2005, the Company had the following revolving credit facilities that were syndicated with various financial institutions that are members or affiliates of members of the Company:

	Maximum Allowed Borrowing Under Credit Facility	Maturing
364-day facility	$1,200,000	October 2005
Three-year facility	$ 300,000	October 2007
Incremental facility	$ 400,000	October 2005

In October 2005, the Company entered into a new agreement for a $1.2 billion 364-day revolving credit facility and a $500.0 million incremental line, maturing in October 2006. The incremental facility has been activated by the Company on a limited basis during periods of increased settlement volumes to further support the settlement process. The new facilities were obtained under similar terms and conditions to the facilities held during fiscal year 2005.

Interest rates on the credit facilities are determined by a ratings-based pricing grid which uses the Company's senior unsecured long-term debt rating as assigned by Standard and Poor's and Moody's Investors Service. Interest is assessed at various conventional reference rates plus applicable margins. Upfront issuing costs and other fees incurred for these facilities were not material in each of the past three years.

The facilities contain certain covenants and events of default, including financial covenants related to consolidated accumulated net income and other indebtedness. During the years ended September 30, 2005, 2004 and 2003, the Company was in compliance with all covenants.

Long-Term Debt

Long-term debt at September 30, 2005 and 2004 consisted of the following:

September 30,	2005	2004
Medium-term note — maturing August 2009; fixed interest rate of 7.53%; payable semi-annually	$40,000	$40,000
Unamortized discount and debt issuance cost	(96)	(121)
Long-term debt	$39,904	$39,879

The Company established a medium-term note program in 1992 to offer up to $250.0 million of unsecured private placement notes. The notes may be issued with maturities from nine months to thirty years at fixed or floating interest rates. In February 2004, a medium-term note of $5.0 million matured and was paid in full. No medium-term notes were issued in fiscal years 2005 or 2004.

Interest expense on the outstanding notes for the years ended September 30, 2005, 2004 and 2003 was $3.0 million, $3.2 million and $3.4 million, respectively.

Note 14 — Settlement Guarantee Management

Each member is responsible for settlement of transactions with other members. However, under the Company's corporate By-Laws, the Company indemnifies members for any settlement loss suffered due to failure of any other member to honor Visa cards and travelers cheques processed in accordance with the Operating Regulations.

This indemnification creates settlement risk for the Company due to the difference in timing between the date of a payment transaction and the date of subsequent settlement. The term and amount of the indemnification are unlimited. Settlement risk is estimated using the average daily card volumes during the quarter multiplied by the estimated number of days to settle, and the total balance for outstanding travelers cheques. The Company's estimated settlement exposure, after consideration of the collateral amounts set forth below, amounted to $42.7 billion and $37.8 billion at September 30, 2005 and 2004, respectively. No material loss related to settlement risk was incurred for the years ended September 30, 2005, 2004 and 2003.

To manage the settlement risk under this indemnification and the resulting risk to all members, a member risk policy containing a set of credit standards is maintained and approved annually by the Visa International Board of Directors. If a member fails to meet any of the credit standards, it is subject to risk control measures such as collateral or trust arrangements. The Company also provides protection to members and merchants who have incurred losses as a result of counterfeit travelers cheques. The Company retains insurance coverage for such losses in excess of $1.0 million to a maximum of $5.0 million.

Under the Company's By-Laws and Operating Regulations, settlement losses are initially borne by the Company and subsequently recovered from the region where the member has its principal place of business. Annually, each region is responsible for losses up to $1 million and 0.003% of its sales volume for the fiscal year preceding the loss. Losses in excess of this amount are allocated among all regions in proportion to each region's percentage of total worldwide sales volume. As a result, the Company receives a partial indemnification from its separately incorporated regional group members — Visa U.S.A., Visa Canada and Visa Europe — for worldwide losses in excess of the loss sharing allocation.

Member Collateral

To reduce potential losses related to settlement risk, the Company requires certain members that are not in compliance with the Company's credit standards to post collateral in order to ensure their performance of settlement obligations arising from card and travelers cheque product clearings. The separately incorporated regional group members of the Company maintain similar collateral requirements for their members. The type of collateral is based on Board-approved guidelines and generally includes cash equivalents, letters of credit, guarantees and securities. At September 30, 2005 and 2004, the Company held collateral as follows:

September 30,	2005	2004
Cash equivalents	$ 344,496	$ 427,691
Letters of credit	271,470	204,540
Guarantees	419,776	517,526
Securities	2,000	1,219
Total collateral	$1,037,742	$1,150,976

Approximately $288.8 million and $279.3 million of cash equivalents are classified as both an asset and corresponding liability on the consolidated balance sheets at September 30, 2005 and 2004, respectively. The remaining collateral was held by third parties in trust for the Company and its members.

Settlement Risk Guarantee

In the fourth quarter of fiscal 2005, the Company recorded a reduction to expense of $44.6 million resulting from the evaluation of the settlement risk guarantee. The evaluation included a review of the model for calculating the settlement risk guarantee in conjunction with Visa's global risk policies and procedures. As a result, certain assumptions relating to member settlement exposure and historical loss and recovery experience were favorably adjusted. Accordingly, the Company reduced the value of this guarantee from $44.9 million at September 30, 2004 to $0.3 million at September 30, 2005.

Note 15 — Retirement and Other Employee Benefit Plans

Substantially all of the Company's employees are covered by various contributory and noncontributory benefit plans. The major plans are described below.

United States Plans

The Company sponsors jointly with Visa U.S.A. a noncontributory defined benefit pension plan, which provides retirement benefits for substantially all of its employees in the United States. Pension plan expense was accrued as actuarially determined under the projected unit credit method. The benefits are based upon years of service, age and the employee's final three years of earnings, or in the case of employees hired after September 30, 2002, the employee's final five years of earnings. The pension plan assets are invested in pooled and mutual funds. The Company uses a June 30th measurement date for pension and postretirement benefits. Information presented reflects this measurement date. The last actuarial valuation for this pension plan was made on June 30, 2005.

The Company made an amendment to its pension plan, effective November 1, 2003. The amendment limits the maximum leave period that may be taken into account for pension benefit purposes to twenty-four months in aggregate. This amendment did not have a material impact on the Company's pension liability.

The Company also participates jointly with Visa U.S.A. in a postretirement plan that provides postretirement medical benefits to its retirees and dependent spouses in the United States who meet the minimum age and service requirements. Benefits are provided from the retirement date until the retiree reaches age sixty-five. Retirees must contribute on a monthly basis for the same coverage that is generally available to active employees and their dependents. The Company's contributions are funded on a current basis.

For the years ended September 30, 2005 and 2004, the Company made substantial excess pension plan payments and, as a result, was required to recognize its proportionate share of previously unrecognized losses through settlement accounting as defined in SFAS No. 88, *"Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits."* The Company's portion of pension plan payments and net settlement loss was recorded in personnel expenses on the consolidated statements of operations and is summarized below:

Years Ended September 30,	2005	2004
Plan Payments		
Total excess pension plan payments	$11,362	$33,674
Visa International portion of excess pension plan payments	$ 2,354	$11,527
Settlement Loss		
Total net settlement loss	$12,490	$37,502
Visa International portion of net settlement loss	$ 3,546	$12,035

The result of settlement accounting and the accelerated recognition of previously unrecognized losses was not material for fiscal 2005. However, it resulted in a reduction of $0.7 million to nonqualified pension expense for fiscal 2004.

(In thousands, except as noted)

The following tables provide an aggregate reconciliation of the benefit obligations, plan assets, funded status and amounts recognized in the financial statements related to the pension plan and the postretirement plan of Visa International and Visa U.S.A.:

Measurement Date	Pension Benefits		Postretirement Benefits	
June 30,	2005	2004	2005	2004
Changes in Benefit Obligation				
Benefit obligation — beginning of year	$ 601,160	$ 556,691	$ 58,067	$ 49,403
Service cost	62,369	62,057	6,027	5,759
Interest cost	40,902	35,937	3,919	3,249
Actuarial loss	80,216	19,992	1,948	1,707
Settlements	6,853	14,385	–	–
Benefit payments	(76,532)	(87,902)	(2,836)	(2,051)
Benefit obligation — end of year	$ 714,968	$ 601,160	$ 67,125	$ 58,067
Accumulated pension benefit obligation	$ 451,135	$ 391,425	$ –	$ –
Change in Plan Assets				
Fair value of plan assets — beginning of year	$ 416,138	$ 340,124	$ –	$ –
Actual return on plan assets	27,968	54,417	–	–
Employer contribution	125,964	109,499	2,836	2,051
Benefit payments	(76,532)	(87,902)	(2,836)	(2,051)
Fair value of plan assets — end of year	$ 493,538	$ 416,138	$ –	$ –
Funded Status:				
End of year	$(221,430)	$(185,022)	$(67,125)	$(58,067)
Unrecognized prior service cost	8,374	9,385	(20,980)	(25,639)
Unrecognized net actuarial loss	257,217	191,263	27,688	27,616
Contributions between measurement date and end of year	4,771	4,374	735	709
Net amount recognized	$ 48,932	$ 20,000	$(59,682)	$(55,381)
Visa International portion of prepaid (accrued) benefit	$ 10,828	$ 6,269	$(13,026)	$(12,589)

Assumptions used, on a weighted-average basis, to develop the projected benefit obligation for the plans were as follows:

Measurement Date	Pension Benefits		Postretirement Benefits	
June 30,	2005	2004	2005	2004
Discount rate	5.3%	6.3%	5.0%	6.3%
Rate of increase in compensation levels	5.5%	5.5%	–	–

Net periodic pension and other postretirement cost for the plans included the following components:

Years Ended September 30,	Pension Benefits			Postretirement Benefits		
	2005	2004	2003	2005	2004	2003
Service cost	$ 62,369	$ 62,057	$ 46,823	$ 6,027	$ 5,759	$ 6,533
Interest cost	40,902	35,937	32,537	3,919	3,249	3,873
Expected return on plan assets	(30,539)	(25,086)	(23,781)	–	–	–
Amortization of						
Prior service cost	1,011	1,011	1,011	(4,659)	(4,659)	(269)
Actuarial loss	11,197	12,879	7,625	1,851	1,878	124
Net periodic pension cost	84,940	86,798	64,215	7,138	6,227	10,261
Additional settlement charge	12,490	37,502	–	–	–	–
Total net benefit cost	$ 97,430	$124,300	$ 64,215	$ 7,138	$ 6,227	$10,261
Visa International portion of net periodic pension cost	$ 20,267	$ 20,523	$ 15,335	$ 1,389	$ 1,195	$ 2,096
Visa International portion of additional settlement charges	$ 3,546	$ 12,035	$ –	$ –	$ –	$ –
Discontinued operations portion of net periodic pension cost (refer to Note 5)	$ –	$ –	$ 7,401	$ –	$ –	$ 1,338

Assumptions used, on a weighted-average basis, to develop the net periodic pension and postretirement cost of the plans were as follows:

Years Ended September 30,	Pension Benefits			Postretirement Benefits		
	2005	2004	2003	2005	2004	2003
Discount rate	6.3%	6.0%	7.3%	6.3%	6.0%	7.3%
Expected long-term rate of return on plan assets	7.5%	7.5%	8.5%	–	–	–
Rate of increase in compensation levels	5.5%	5.5%	5.5%	–	–	–

The expected rate of return on plan assets is primarily based on long-term historical risks and returns associated with each asset class within the portfolio. The expected return is weighted based on a target allocation and results in a long-term return rate of 7.5%.

The pension plan's target and actual strategic asset allocations at September 30, 2005 and 2004 by asset category were as follows:

		Permissible Range		Actual Allocation	
Asset Class	**Target Allocation**	**Minimum**	**Maximum**	**2005**	**2004**
Equity securities	65%	50%	80%	68%	77%
Fixed income	30%	25%	35%	30%	23%
Other	5%	3%	7%	2%	0%
Total	100%			100%	100%

Plan assets are managed with a long-term perspective to ensure that there is an adequate level of assets to support benefit payments to participants over the life of the pension plan. Plan assets are managed by external investment managers. Investment management performance is benchmarked for each asset base. An independent consultant assists the Company with investment manager selections and performance evaluations. Plan assets are broadly diversified to mitigate the risk of significant losses. The other category includes U.S. cash equivalents that are held to meet the liquidity needs of the plan.

The Company's funding policy is to contribute, annually, an amount between the minimum required and the maximum deductible for U.S. federal income tax purposes. The following table presents the actual contributions made by the Company from its employer assets for fiscal years 2005 and 2004 and the expected contributions for fiscal 2006 under its pension plan and postretirement plan:

	Pension Plan		Postretirement Plan	
	Total Contributions	**Visa International's Portion**	**Total Contributions**	**Visa International's Portion**
Actual employer contributions				
Fiscal 2005	$125,964	$31,999	$2,836	$ 951
Fiscal 2004	$109,499	$26,458	$2,051	$ 745
Expected employer contributions				
Fiscal 2006	$ 76,195	$17,162	$3,071	$1,029

The following table presents estimated future benefit payments:

	Pension Plan		Postretirement Plan	
	Total Payments	**Visa International's Portion**	**Total Payments**	**Visa International's Portion**
Expected benefit payments				
2006	$ 25,151	$ 6,808	$ 3,071	$ 952
2007	$ 22,132	$ 5,836	$ 3,458	$1,003
2008	$ 27,439	$ 6,061	$ 3,829	$1,072
2009	$ 39,154	$ 8,596	$ 4,317	$1,122
2010	$ 38,571	$ 8,801	$ 4,979	$1,245
2011–2015	$336,753	$89,128	$38,153	$8,394

For the postretirement plan, the assumed annual rate of future increases in per capita cost of health benefits was 9.0% in 2005; the rate is assumed to decrease gradually to 6.0% by 2007 and remain at that level thereafter. These trend rates reflect management's and actuarial's expectations of future rates. The health care cost trend rate assumption has a significant effect on the amounts reported. A one percentage point increase or decrease in assumed health care cost trend rates would have had the following effects:

	Effects on Total Postretirement Plan	Visa International's Portion
Increase of one percentage point in health care cost trend rate		
Effect on total service and interest costs	$ 363	$ 69
Effect on postretirement benefit obligation	$ 1,834	$ 403
Decrease of one percentage point in health care cost trend rate		
Effect on total service and interest costs	$ (312)	$ (59)
Effect on postretirement benefit obligation	$(1,607)	$(354)

United Kingdom Plans

The Company participates in various qualified and nonqualified defined benefit plans, which provide retirement and death benefits for the Company's employees residing in the United Kingdom. Calculation of pension plan expense is similar to the United States plan. Regular plan benefits are determined based on years of service, age and the employee's highest average of eligible salary for any three consecutive years during the last ten years of employment. Pension plan assets are invested in pooled funds. The last formal actuarial valuation for this pension plan was made on September 30, 2004. The projected benefit obligation was based on the September 30, 2004 actuarial valuation.

The previous pension plan, based on a defined benefit scheme, was closed to new employees in June 2003. Employees hired after June 2003 began participating in a new scheme based on a defined contribution plan starting in October 2003, which was set up under the same trust as the defined benefit scheme.

As a result of the EU region's incorporation in July 2004, the Visa UK pension plan was amended to segregate VESI employees from Visa International's CEMEA region employees. A Deed of Amendment ("Deed") was filed on October 1, 2004. The deed establishes two sections and defines how the membership within each section is determined as well as how the assets and liabilities are allocated between VESI and the Company. Each section had a separate formal actuarial valuation effective October 1, 2004 to assess the value of the related liabilities and assets. The Deed allows the trustees to consider whether the current investment strategy for each section is appropriate and to make changes. This means that different strategies were in place for the two sections in fiscal year 2005.

In December 2004, the segregation of the UK pension plan between VESI and Visa International's CEMEA region was completed and a final assessment was made to allocate the assets and liabilities as of September 30, 2004. Accordingly, the fiscal 2005 balances reflected the CEMEA region only.

(In thousands, except as noted)

The following tables provide an aggregate reconciliation of the benefit obligations, plan assets, funded status and amounts recognized in the accompanying consolidated financial statements related to the qualified and nonqualified retirement plans:

September 30,	2005	2004
Change in Benefit Obligation		
Benefit obligation — beginning of year	$ 46,193	$152,078
Service cost	3,451	14,933
Interest cost	2,737	8,804
Amendments	750	–
Actuarial loss	6,214	8,736
Benefit payments	(301)	(16,460)
Foreign currency exchange rate changes	(1,490)	12,569
Benefit obligation — end of year	$ 57,554	$180,660
Accumulated pension benefit obligation	$ 44,319	$137,956
Change in Plan Assets		
Fair value of plan assets — beginning of year	$ 30,106	$ 99,812
Actual return on plan assets	5,399	9,388
Employer contribution	4,577	27,741
Benefit payments	(301)	(16,460)
Foreign currency exchange rate changes	(988)	8,156
Fair value of plan assets — end of year	$ 38,793	$128,637
Funded Status		
Funded status — end of year	$(18,761)	$ (52,023)
Unrecognized prior service cost	73	448
Unrecognized net actuarial loss	19,135	69,028
Net amount recognized	$ 447	$ 17,453
Amounts Recognized in the Consolidated Balance Sheets		
Prepaid benefit cost	$ 8,190	$ 7,636*
Accrued benefit liability	(7,743)	(7,190)*
Net amount recognized — end of year	$ 447	$ 446*

* *CEMEA region's portion*

Assumptions used to develop the projected benefit obligation were as follows:

September 30,	2005	2004
Discount rate — qualified	5.0%	5.3%
Discount rate — nonqualified	5.0%	5.3%
Rate of increase in compensation levels — qualified	4.5%	4.0%
Rate of increase in compensation levels — nonqualified	5.5%	5.0%

Net periodic pension cost included the following components:

Years Ended September 30,	2005	2004	2003
Service cost	$ 3,451	$14,933	$11,701
Interest cost	2,737	8,804	7,203
Expected return on plan assets	(2,449)	(9,422)	(6,863)
Amortization of			
Prior service cost	807	240	179
Actuarial loss	565	5,585	6,240
Lump sum risk premiums	332	509	714
Net periodic pension cost	$ 5,443	$20,649	$19,174
CEMEA's portion of net periodic pension cost	$ 5,443	$ 6,032	not available

Assumptions used to develop the net periodic pension cost were as follows:

Years Ended September 30,	2005	2004	2003
Discount rate — qualified	5.5%	5.5%	5.5%
Discount rate — nonqualified	5.5%	5.5%	5.0%
Expected long-term rate of return on plan assets	7.0%	7.0%	7.0%
Rate of increase in compensation levels — qualified	4.5%	4.0%	4.0%
Rate of increase in compensation levels — nonqualified	5.5%	5.0%	5.0%

The expected rate of return on plan assets is primarily based on the long-term historical risks and returns associated with each asset class within the portfolio. The expected return is weighted based on a target allocation and results in a return rate of 7.0%.

The pension plan's weighted-average asset allocations at September 30, 2005 and 2004 by asset category were as follows:

		Permissible Range		Actual Allocation	
Asset Class	Target Allocation	Minimum	Maximum	2005	2004
Equity securities	45%	40%	50%	56%	60%
Fixed income	45%	40%	50%	36%	37%
Other	10%	5%	15%	8%	3%
Total	100%			100%	100%

Plan assets are managed with a long-term perspective to ensure that there is an adequate level of assets to support benefit payments to participants over the life of the pension plan. The goal of the trustee is to manage the asset classes so that they are within 5% of the target allocation. The target asset allocation is a long-term objective that the pension plan will achieve over the next several years. The investment subcommittee of the trustees reviews the asset allocation on a quarterly basis and decides whether a faster or slower move from equities or bonds and other investments is appropriate.

The Company's funding policy is to contribute, annually, an amount between the minimum required and the maximum deductible for U.S. federal income tax purposes. The following table presents the actual benefit payments and contributions made by the Company from its employer assets for fiscal years 2005 and 2004 and the expected benefit payments and contributions for fiscal 2006 under its pension plan:

	Total Pension Plan Contributions	Visa International's Portion
Actual employer contributions		
Fiscal 2005	$ 4,577	$4,577
Fiscal 2004*	$27,741	$5,500
Expected employer contributions		
Fiscal 2006	$ 3,727	$3,727

* *Total plan included EU's portion.*

The following table presents estimated future benefit payments:

	Pension Plan Payments*
Expected benefit payments	
2006	$ 583
2007	$ 673
2008	$ 692
2009	$ 713
2010	$ 865
2011–2015	$5,212

* *Converted to U.S. dollars at the September 30, 2005 exchange rate.*

Other Plans

The Company sponsors jointly with Visa U.S.A. the Visa Thrift Plan, a defined contribution plan which covers substantially all of its employees in the United States. Contributions to this plan are funded on a current basis, and the expenses are recognized in the period in which the related payroll expenses are incurred. Personnel expenses attributable to the Company's employees under this plan were $5.8 million, $6.7 million and $15.6 million for the years ended September 30, 2005, 2004 and 2003, respectively. Of the total in fiscal 2003, the portion related to discontinued operations of Inovant was $5.6 million.

Effective January 1, 2004, the Company made several amendments to its defined contribution plan. The Company reduced employer matching while increasing the maximum covered pay percentage of employee contributions. The Company eliminated the minimum service requirement for participation in the plan and accelerated the vesting period from five years to three years. Finally, the Company eliminated the credited service requirement for re-hires.

The Company has a nonqualified excess thrift plan and other retirement plans for certain employees. Related costs recorded in personnel expenses were $0.3 million, $0.5 million and $1.2 million for the years ended September 30, 2005, 2004 and 2003, respectively. Of the total in fiscal 2003, the portion related to discontinued operations of Inovant was $0.1 million.

Note 16 — Income Taxes

The Company's income before taxes for the years ended September 30, 2005, 2004 and 2003 consisted of the following components:

Years Ended September 30,	2005	2004	2003
U.S.	$ 82,485	$42,388	$28,258
Non-U.S.	59,585	25,319	12,308
Subtotal from continuing operations	142,070	67,707	40,566
Discontinued operations	–	–	2,591
Total income before taxes	$142,070	$67,707	$43,157

The Company's income tax expense for the years ended September 30, 2005, 2004 and 2003 consisted of the following:

Years Ended September 30,	2005	2004	2003
Current			
U.S. federal	$45,969	$ 8,038	$ 29,257
U.S. state and local	413	61	728
Non-U.S.	(4,178)	1,383	5,192
Total current tax expense	42,204	9,482	35,177
Deferred			
U.S. federal	10,987	19,326	(10,682)
U.S. state and local	5,678	6,610	(318)
Total deferred tax expense (benefit)	16,665	25,936	(11,000)
Total income tax expense	$58,869	$35,418	$ 24,177

Income tax expense for the years ended September 30, 2005, 2004 and 2003 was included on the consolidated statements of operations as follows:

Years Ended September 30,	2005	2004	2003
Continuing operations	$58,869	$35,418	$23,141
Discontinued operations	–	–	1,036
Total income tax expense	$58,869	$35,418	$24,177

The tax effect of temporary differences that gave rise to significant portions of deferred tax assets and liabilities at September 30, 2005 and 2004 are presented below:

September 30,	2005	2004
Deferred Tax Assets		
Settlement risk and other reserves	$ –	$ 17,551
Deferred compensation	32,818	37,527
Accrued expenses	3,320	2,800
California research credit	–	5,984
Retirement plans	12,050	10,930
Other	10,177	9,627
Gross deferred tax assets	58,365	84,419
Valuation allowance	–	(5,984)
Total deferred tax assets	58,365	78,435
Deferred Tax Liabilities		
Premises, equipment and software	(17,325)	(20,107)
Prepaid expenses	(2,797)	(1,433)
State taxes	(177)	(2,164)
Unrealized gains on investments	164	(880)
Total deferred tax liabilities	(20,135)	(24,584)
Net deferred tax asset	$ 38,230	$ 53,851

The major component of the decrease in the net deferred tax asset of $15.6 million was $17.6 million relating to the reversal of the settlement risk guarantee and other reserves. The remainder of the change in the net deferred tax asset was due to various temporary differences.

There is no remaining valuation allowance at September 30, 2005. The valuation allowance of $6.0 million as of September 30, 2004 related to the California research credit. After applying the results of the IRS audit to California, there is no remaining California research credit carryforward. The Company's gross deferred tax asset is appropriately stated at a level which management believes is more likely than not to be realized in the future, primarily from the generation of future taxable income.

The differences between the Company's effective tax rate and the United States federal statutory rate, expressed as a percentage of income before taxes, for the years ended September 30, 2005, 2004 and 2003 were as follows:

Years Ended September 30,	2005	2004	2003
Statutory rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit & California research credit	0.4%	6.2%	0.7%
Effect of California ruling	16.9%	–	–
Meals and entertainment	0.7%	2.3%	3.2%
Non-U.S. tax effect, net of federal benefit	(3.1%)	6.6%	7.9%
Federal audit resolution	(7.6%)	–	–
Federal research credit	–	–	8.6%
Other	(0.9%)	2.2%	0.6%
Effective tax rate	41.4%	52.3%	56.0%

The difference in the effective tax rate between 2005 and 2004 results primarily from the expected result of a California audit relating to the proper application of a previously issued state ruling, foreign tax refunds received, and the favorable resolution of a federal income tax audit during 2005.

The difference in the effective tax rate between 2004 and 2003 results primarily from the impact of changes in the deferred state income tax expense attributed to fluctuations in the deferred tax assets and liabilities during 2004 and the reduced utilization of prior year research credits during 2003.

Income taxes payable of $14.4 million and $23.8 million were included in trade and accrued taxes payable on the Company's consolidated balance sheets for the years ended September 30, 2005 and 2004, respectively.

Cumulative undistributed earnings of the Company's international subsidiaries amounted to $13.9 million as of September 30, 2005, all of which are intended to be permanently reinvested. The amount of income taxes that would have resulted had such earnings been repatriated is estimated to be $4.9 million.

Note 17 — Derivative Financial Instruments

The functional currency for Visa International is the U.S. dollar. The Company transacts business in various foreign currencies and uses derivatives to mitigate the impact of foreign currency fluctuations associated with specific revenue and expense items. There were no amounts in earnings representing hedge ineffectiveness, and there were no amounts reclassified into earnings as a result of the discontinuance of cash flow hedges. No amounts were excluded from the assessment of hedge effectiveness for the years ended September 30, 2005, 2004 and 2003. The balance in accumulated comprehensive loss at September 30, 2005 was not significant and will be reclassified into earnings during fiscal 2006 and 2007 as underlying hedge transactions affect earnings.

The following table provides information about the Company's foreign currency forward and option contracts at September 30, 2005 and 2004:

September 30,	2005		2004	
	Notional	Estimated Fair Value	Notional	Estimated Fair Value
Forward Contracts				
Purchase foreign currency	$78,553	$(1,922)	$75,266	$873
Option Contracts				
Sell foreign currency	$ –	$ –	$23,201	$310

The currencies underlying the foreign exchange forward contracts consist primarily of British Pound Sterling and Euro. Fair value represents the difference in the value of the contracts at the contractual rate and the current forward price, and generally reflects the estimated amounts that the Company would receive or pay to terminate the contracts at the reporting date based on broker quotes for the same or similar instruments. All foreign currency forward and option contracts outstanding at September 30, 2005 and 2004 have maturities of less than 23 months and 16 months, respectively.

The Company's derivative financial instruments are subject to both credit and market risk. Credit risk is the risk of loss due to failure of a counterparty to perform its obligations in accordance with contractual terms. Market risk is the potential change in an investment's value caused by fluctuations in interest and currency exchange rates, credit spreads or other variables. The Company monitors the credit-worthiness of the financial institutions that are counterparties to its derivative financial instruments and does not consider the risks of counterparty nonperformance to be material. Notwithstanding the Company's efforts to manage foreign exchange risk, there can be no assurance that its hedging activities will adequately protect against the risks associated with foreign currency fluctuations. Credit and market risks (as a result of an offset by the underlying cash flow being hedged) related to derivative instruments were not considered material at September 30, 2005 and 2004.

Note 18 — Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments as reported on the consolidated balance sheets:

Cash and cash equivalents, settlement due from/to members, accounts receivable, other current assets, member collateral, trade payables, and all accrued and other liabilities — The carrying amounts approximate fair value due to the short period of time to maturity.

Investments classified as available-for-sale and trading assets — The fair value is based on quoted market prices.

Foreign currency forward contracts — The fair value is based on the estimated amount at which they could be settled based on market exchange rates.

Foreign currency option contracts — The fair value is based on dealer quotes and represents the estimated amount the Company would receive or pay to terminate the contracts.

Debt — The fair value is estimated based on current interest rates available to the Company for debt instruments with similar terms, degrees of risk and remaining maturities. The carrying value of the Company's debt was $39.9 million at September 30, 2005 and 2004. The estimated fair value of the Company's debt was $43.2 million and $45.2 million at September 30, 2005 and 2004, respectively.

Note 19 — Concentration of Credit Risk

The Company extends credit to its affiliated and non-affiliated members. Collection of trade receivables may be affected by changes in economic or other industry conditions and may, accordingly, impact the Company's overall credit risk. The Company performs ongoing credit evaluations of its customers. At September 30, 2005 and 2004, the Company had receivables from Visa Europe that represented approximately 16.4% and 24.7% of total gross accounts receivable, respectively. No other customer accounted for more than 10% of the Company's total accounts receivable balance at September 30, 2005 or 2004.

The Company also has significant concentration risk related to its guarantees on potential uncollateralized member settlement losses. Refer to Note 14 for additional discussion.

The short-term investments in debt securities consist of high credit-quality instruments. The Company limits the amount of credit exposure in any one financial institution or type of investment instrument.

Note 20 — Mandatorily Redeemable Preferred Stock (Minority Interest)

Minority interest at September 30, 2004 represented a 10.0% preferred stock interest in Visa Human Resources Services ("VHRS"), a subsidiary of Visa International, which administered certain employee benefit plans and arrangements of the Company. At September 30, 2004, the Company maintained 90.0% of the voting rights, and the value of the 10.0% preferred shares held by external parties was $7.0 million, representing 7 shares at $1.0 million per share. The preferred stock provided for cumulative dividends at a rate per annum equal to 7.5%, payable quarterly.

During fiscal year 2005, the Company adopted SFAS No. 150 (refer to Note 3) and accounted for this obligation accordingly. However, in September 2005, VHRS reached an agreement with the holders of the preferred stock to early redeem all of the outstanding shares for $8.2 million, which included a prepayment premium of $1.2 million. The premium paid was included in non-operating income (expense), net, on the consolidated statements of operations.

Note 21 — Commitments

The Company's future minimum payments on non-cancelable leases and other agreements, excluding payments to Visa Resources, at September 30, 2005 were as follows:

Years Ending September 30,	Leases	Marketing	Total
2006	$16,200	$ 62,846	$ 79,046
2007	12,543	51,188	63,731
2008	6,986	36,744	43,730
2009	4,176	27,183	31,359
2010	2,893	19,658	22,551
Thereafter	30,657	41,999	72,656
Total	$73,455	$239,618	$313,073

The Company leases certain premises and equipment throughout the world under non-cancelable operating and capital leases with varying expiration dates. The Company's rent expense on operating leases, excluding rents paid to Visa Resources (refer to Note 10), was $20.6 million, $32.3 million and $40.3 million for the years ended September 30, 2005, 2004 and 2003, respectively. Of the amount in fiscal 2003, rent expense of $8.7 million related to Inovant and is included in income from discontinued operations on the consolidated statements of operations. The Company has one capital lease for equipment. The net present value of minimum lease payments on the capital lease approximates book value. Imputed interest expense and accrued interest for the capital lease are not considered material.

The Company leases premises in which, at the expiration of the lease, the Company will incur certain restoration costs such as the cost to remove leasehold improvements. The carrying amounts of these asset retirement obligations were $1.8 million and $1.6 million as of September 30, 2005 and 2004, respectively.

The Company has agreements with members, merchants and other organizations for various programs designed to build sales volume, increase card acceptance, and increase other Visa-branded transactions. These agreements, which range from one to eight years and extend through 2013, provide card issuance, marketing and program support based on specific performance requirements. The expected reduction of future earnings in the next eight years resulting from these agreements is estimated to be a maximum of $330.6 million as of September 30, 2005.

Note 22 — Legal Matters

Discover Card/American Express Litigation

On October 4, 2004, Discover Financial Services, Inc. filed a complaint against Visa U.S.A., Visa International, MasterCard Incorporated and MasterCard International Incorporated in the U.S. District Court for the Southern District of New York. The complaint is primarily based on Visa U.S.A.'s By-Law 2.10(e) and MasterCard's counterpart rule, although it also contains references to "Honor All Cards" and "No Surcharge" rules.

On November 15, 2004, American Express Travel Related Services Company, Inc. filed a similar action in Federal Court in New York alleging violations of federal competition law. Visa International is named as a defendant in this action along with Visa U.S.A., MasterCard and a number of U.S. issuing banks. In general, both the American Express and Discover complaints include claims for treble damages and injunctive relief under Sections 1 and 2 of the Sherman Act, asserting that By-Law 2.10(e) prevented banks from agreeing to issue payment cards on the American Express and Discover networks.

Both cases have been assigned to the Honorable Barbara S. Jones, the same judge who presided over the Department of Justice ("DOJ") matter in which, in October 2004, the Supreme Court declined to review the 2001 ruling by the United States District Court for the Southern District of New York finding that Visa International provided "affirmative encouragement" for Visa U.S.A.'s rule 2.10(e) and enjoining Visa U.S.A. from enforcing any rule that prohibits Visa members from issuing general purpose or debit cards on any general purpose network. To date, the cases have not been consolidated for any purpose. In April 2005, the defendants' motion to dismiss based on res judicata and statute of limitations was denied. The court, however, reserved these issues for possible resolution on summary judgment. The court did not accept the plaintiffs' argument that the defendants should be collaterally estopped from raising issues decided in the DOJ case but indicated that the plaintiffs could revisit the issue of collateral estoppel after the close of discovery. Although no discovery schedule has been ordered yet, the parties have exchanged documents produced in the DOJ case. The parties further anticipate that discovery will commence shortly.

On October 24, 2005, the court granted MasterCard's motion to dismiss Discover's actual and attempted monopolization claims. On November 9, 2005, the court granted a similar motion to dismiss filed by Visa International on the basis that Discover failed to allege a sufficient market share with respect to the Company.

The defendants' answers to the American Express and Discover complaints were filed on November 30, 2005.

Attridge

On December 8, 2004, a plaintiff filed a purported consumer class action against Visa U.S.A., Visa International and MasterCard in California state court attempting to apply findings of the DOJ case to a class of all Visa cardholders with any revolved balances from 1991 to the present. Plaintiffs claim that Visa violated California's unfair competition law by barring members from issuing American Express and other competing cards. Plaintiff further alleges that this action reduced competition at the card and network level and increased the price of general purpose card network services, resulting in less valuable products at higher prices than would have prevailed in a competitive market. Visa filed a demurrer to the complaint, which was heard on November 2, 2005. The court granted the demurrer as to both cause of actions with leave to amend. Plaintiff's amended complaint was filed on December 2, 2005.

Currency Conversion Litigation

State Litigation:

In February 2000, an action (Schwartz) was filed in the Alameda County Superior Court of the State of California against Visa International, Visa U.S.A. and MasterCard International under California Business and Professions Code §17200. The complaint sought injunctive relief and restitution in connection with Visa's and MasterCard's practice of charging United States issuers a one percent "currency conversion fee" on certain credit transactions made in a foreign currency. In general, the case

was tried on theories alleging that the fee was "unconscionable" and that the Company had a disclosure duty to the cardholders of Visa U.S.A.'s members.

On April 7, 2003, the state court issued a Statement of Decision. While the court rejected claims that the currency conversion fee was unconscionable, it ordered Visa U.S.A. and the Company to require Visa U.S.A.'s members to provide "adequate disclosure of currency conversion fees," and ordered restitution by means of a notice and claims process of the one percent currency conversion fee to credit card consumers who were charged by and paid the fee to Visa U.S.A.'s members from February 1996 to the present.

Visa filed an appeal on the merits of the trial court's decision. Oral argument on the appeal was heard on July 18, 2005. Pursuant to the court's request, the parties solely argued issues regarding the potential application of California's Proposition 64 (amending California Business and Professions Code Section 17200) to the case. On September 28, 2005, the appellate court reversed the trial court's decision and remanded the case to the trial judge to exercise his discretion to determine whether leave to amend can be granted to satisfy the Proposition 64 standards. On November 7, 2005, plaintiff filed a petition for review with the California Supreme Court asking the court to address whether the Court of Appeal erred in concluding that Proposition 64 should be applied retroactively.

In May and September of 2004, two additional currency conversion cases (Shrieve and Castro) were filed against Visa International, Visa U.S.A., MasterCard Incorporated and MasterCard International Incorporated and consolidated in the Alameda County Superior Court of the State of California. The plaintiffs allege that Visa violated California law by assessing and collecting a 1% currency conversion fee on persons who use their Visa-branded debit cards in a foreign country. Plaintiffs seek injunctive relief requiring disclosure, disgorgement of all monies defendants have received after May 10, 2000 as a result of currency conversion charges on debit card transactions, compensatory damages measured in the same way, statutory, punitive or exemplary damages "in an amount sufficient to punish Visa," pre- and post-judgment interest, and attorneys' fees. This case is in the class certification discovery and briefing phase. The hearing on plaintiffs' class certification motion is scheduled for January 12, 2006.

In December 2004, a consumer class action complaint (Baker) was filed in the San Diego County Superior Court for the State of California against Visa International and Visa U.S.A. The current complaint challenges the disclosure of the rates used by Visa to convert currency for foreign transactions. Plaintiffs seek restitution and injunctive relief. Plaintiff was granted leave to amend the complaint by no later than January 13, 2006.

In February 2005, a consumer class action complaint (Mattingly) was filed in the Alameda County Superior Court for the State of California against Visa International and Visa U.S.A. for failure to disclose the 1% "currency conversion fee" when a U.S. cardholder purchased goods or services in a foreign currency after October 2002.

Federal Litigation:

A number of purported class actions alleging violations of the Sherman Act and Truth-In-Lending Act have been consolidated in the United States District Court for the Southern District of New York. The consolidated complaint alleges that Visa International, Visa U.S.A., MasterCard International and a number of large U.S. card-issuing banks conspired to impose a mark-up of at least 1% on foreign currency transactions by holders of U.S.- issued Visa cards. The complaint also alleges that defendants failed to disclose such charges to cardholders. The complaint seeks treble damages for foreign currency conversion and optional issuer fee revenue, injunctive relief, and attorneys' fees. On July 3, 2003, the court dismissed the Truth-In-Lending Act claims asserted against the Company.

On October 15, 2004, the court certified a class of all holders of Visa and MasterCard-branded credit cards issued by any of the seven defendant banks who were assessed a foreign currency conversion transaction fee. Defendants moved for reconsideration of the certification order, and in March of 2005 the court held that plaintiffs with valid arbitration agreements could not go forward in court and must instead proceed through arbitration. This ruling is currently under appeal. Discovery in this matter is substantially completed, and the trial date is currently set for May 15, 2006.

Merchant Interchange Litigation

Since June of 2005, over 40 merchant actions have been filed challenging interchange and related issues under federal antitrust laws. Visa International is named as a defendant in about 29 of the complaints. As further described below, the complaints are generally brought pursuant to Sections 1 and 2 of the Sherman Act and challenge the setting of interchange fees, no surcharge rule and/or other network services. Each seeks reimbursement of an alleged merchant discount overcharge and injunctive relief. Under antitrust laws, any damages awarded in these matters could be trebled.

In July through October of 2005, merchant class action cases were filed in New York federal court alleging that the setting of interchange fees violates Section 1 of the Sherman Act. On August 16, 2005, an individual claim was filed in the Eastern District of New York also alleging violations of Section 1 of the Sherman Act.

On June 22, 2005, a purported merchant class action was filed in a Connecticut federal district court against Visa, MasterCard and 38 financial institutions, alleging that interchange constitutes a violation of Section 1 of the Sherman Act, and also alleging that Visa "ties" network services to "Payment Guarantee Services," and engages in exclusive dealing. Four virtually identical complaints were filed in Connecticut federal court in July 2005 and in the Eastern District of New York in September of 2005.

On July 14, 2005, an antitrust action was filed against Visa U.S.A. and Visa International in New York federal court on behalf of The Kroger Co., Albertson's, Inc., Safeway Inc., Ahold U.S.A., Inc., Walgreen Co., Maxi Drug, Inc. d/b/a Brooks Pharmacy, and Eckerd Corporation. This suit alleges that interchange and various other Visa rules violate Section 1 of the Sherman Act. This suit also alleges that Visa ties "Premium Credit Cards" to other Visa credit cards, and that Visa ties "Payment Guarantee Services" to network services. This suit also includes claims for attempted monopolization and monopolization under Section 2 of the Sherman Act, alleging that various Visa rules constitute exclusionary conduct. Five additional individual claims alleging violation of Section 1 of the Sherman Act and unlawful tying of Visa services were filed between September and October of 2005.

On October 19, 2005, the Judicial Panel on Multi-District Litigation consolidated fourteen of these actions as MDL 1720 and assigned the cases to Judge John Gleeson of the Eastern District of New York. (Judge Gleeson presided over the Wal-Mart, et al. merchant tying cases against Visa U.S.A. and MasterCard.) On November 2, 2005, the Judicial Panel on Multi-District Litigation consolidated an additional thirteen cases with MDL 1720.

Credit/Debit Card "Tying" Cases

Thirty-seven putative class action complaints have been filed by numerous plaintiffs in nineteen states asserting claims against Visa U.S.A., Visa International and MasterCard International alleging violations of state unfair competition laws resulting from the networks' "Honor All Cards" rule. The Company is named as a defendant in only six cases, all filed in the San Francisco County Superior Court for the State of California, asserting claims against the Company under the Cartwright Act and Section 17200 of the California Business and Professions Code. On October 6, 2004, the judge in the California cases granted the Company's demurrer to the cause of action based on the Cartwright Act.

Plaintiffs in these cases claim that the defendants unlawfully tied retail business acceptance of Visa- and MasterCard-branded debit cards to the acceptance of Visa- and MasterCard-branded credit cards. Plaintiffs further claim that because of their market power, issuers charged retailers "supra-competitive" prices for debit card services and retailers, in turn, passed these costs on to the general public through higher overall prices for goods and services.

Motions to dismiss the complaints have been filed in all of the cases. Thirteen of these motions to dismiss have been granted, with two states allowing certain state law claims to proceed. Given that the California Supreme Court is currently evaluating the retroactivity of Proposition 64 which amended Section 17200, the parties have agreed to stay all further activity in the California cases through at least January 2006.

Parke

On June 27, 2005, a cardholder and a merchant filed a class action complaint in the San Francisco County Superior Court for the State of California against Visa U.S.A., Visa International, MasterCard International, CardSystems Solutions Inc. and Merrick Bank. The action arises from CardSystems' alleged failure to maintain adequate computer data security of consumer credit card data, and violation of Payment Card Industry Data Standard(s) and rules and regulations. According to the complaint, Visa International along with the other defendants unduly delayed or failed to inform merchants and consumers of any breach in the security of their credit card accounts and other non-public information. On August 2, 2005, plaintiffs applied for a temporary restraining order. The court denied the application for a temporary restraining order, except with respect to the defendants' retention of certain documentation. On September 23, 2005, the court denied plaintiffs' motion for a preliminary injunction and granted Visa's motion to dismiss (with leave to amend) the merchant claims asserted in the complaint.

Morgan Stanley Dean Witter/Discover

In May 2000, Morgan Stanley Dean Witter & Co. and Morgan Stanley Dean Witter Bank Limited (collectively "MSDW"), the issuer of the Discover card, filed a complaint before the EU Commission ("Commission") challenging as anticompetitive Visa International By-Law 2.12(b), which provides that organizations "deemed to be a competitor" of Visa may not become members. Visa's reply, which explained inter alia that the Rule is pro-competitive and enhances intersystem competition, was filed in July 2000. Visa subsequently replied to further requests for information from the Commission in relation to the investigation in 2003 and 2004. In August 2004, the Commission issued a Statement of Objections to Visa International, alleging that the implementation of the rule as it relates to MSDW has not been objectively applied and has caused a restriction of competition in the acquiring market in the UK. In September 2000, MSDW filed parallel proceedings in the U.K. courts, claiming infringement of EU and U.K. anti-trust provisions and unspecified damages. In May 2001, Visa succeeded in obtaining a stay of the UK proceedings pending the outcome of the Commission's investigation.

In April 2005, MSDW announced its intention to spin off the Discover card business, and in May 2005 Visa made further submissions to the Commission in light of the impact of that event on the basis of the Commission's case. More recently, MSDW has suggested that it may not spin off the Discover card business. Visa will continue to defend the case brought by the Commission and will deal with any further points raised. It is not currently known when the Commission intends to conclude its investigation or make a decision.

Intellectual Property Litigation

An Iowa company called Safeclick LLC filed suit against Visa International and Visa U.S.A. Inc. in the United States District Court for the Northern District of California on December 30, 2003. Safeclick alleges that the "Verified by Visa" program, which authenticates the identity of a cardholder in an on-line transaction, infringes two claims of Safeclick's "Electronic Transaction Security System" patent. Safeclick has indicated that it will seek damages under a reasonable royalty theory, as well as injunctive relief. The case is in the discovery phase. Visa has filed a motion for summary judgment which is currently being considered by the court. Trial is tentatively scheduled for June 12, 2006.

On May 8, 2003 Starpay.com LLC ("Starpay") and VIMachine, Inc. ("VIMachine") filed a complaint against Visa International and Visa U.S.A. in the United States District Court for the Northern District of Texas. The complaint alleges that Visa's Verified by Visa service infringes VIMachine's patent covering an authenticated Internet payment transaction, that Visa misappropriated Starpay's trade secrets when Visa filed its patent application covering the Verified by Visa service, that Visa breached confidentiality agreements between the parties, and that Visa has engaged in unfair competition under California law.

Visa filed a motion to dismiss all of the non-patent causes of action on statute of limitations and other legal grounds. A magistrate judge assigned to hear the motion granted Visa's motion to dismiss the breach of contract claim and the unfair competition claim. On February 23, 2004 Visa filed its answer to Starpay's first and fourth causes of action and counterclaim for a declaratory judgment that Visa does not infringe the VIMachine patent and/or the VIMachine patent is invalid. On November 2, 2005, the Magistrate Judge held a hearing to revise its claim construction ruling in light of a recent Federal Circuit appellate decision clarifying the standard under which patent claims are to be interpreted. Fact discovery is ongoing and the parties are awaiting the revised claims construction ruling.

In September 2004, Cryptography Research, Inc. ("CRI") filed a lawsuit against Visa International in U.S. District Court in California alleging breach of contract, misrepresentation and patent infringement. The lawsuit arises from a 1998 license agreement between CRI and Visa International pursuant to which Visa International received the right to sublicense certain CRI technology for use in smart cards. After the license agreement was terminated, CRI claimed that Visa International was obligated to pay per-card royalties on certain smart cards. In addition CRI has alleged that Visa has infringed certain patents claimed by CRI. Discovery in this matter is currently ongoing. A patent claims construction hearing was held on November 8 and 9, 2005 and the parties are currently awaiting the court's ruling.

The Company is presently involved in the matters described above and other legal actions. Under the Company's membership agreement with Visa U.S.A. Inc. and its Operating Regulations, the Company believes it is indemnified against losses with respect to certain cases pertaining to U.S. operations. The Company reviews the effect, if any, that litigation matters may have upon the Company or its financial position. The Company will continue to review the strength of its defenses and any available indemnifications, and will make accruals when and if necessary.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Christopher J. Rodrigues, certify that:

1. I have reviewed this report, including the Visa International consolidated financial statements as of, and for the period ended, September 30, 2005;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and
3. Based on my knowledge, the financial statements and other financial information in this report fairly present in all material respects the financial condition, results of operations and cash flows of Visa International as of, and for, the periods presented in the report.



Christopher J. Rodrigues
President and Chief Executive Officer
December 14, 2005

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Kenneth F. Sommer, certify that:

1. I have reviewed this report, including the Visa International consolidated financial statements as of, and for the period ended, September 30, 2005;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and
3. Based on my knowledge, the financial statements and other financial information in this report fairly present in all material respects the financial condition, results of operations and cash flows of Visa International as of, and for, the periods presented in the report.



Kenneth F. Sommer
Executive Vice President and Chief Financial Officer
December 14, 2005

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[2] *Member of the Compensation Committee. Walt Macnee serves as Chairman of this committee.*

[3] *Member of the Audit, Risk and Finance Committee. Peter Hawkins serves as Chairman of this committee.*



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